4. MANAGEMENT REPORT

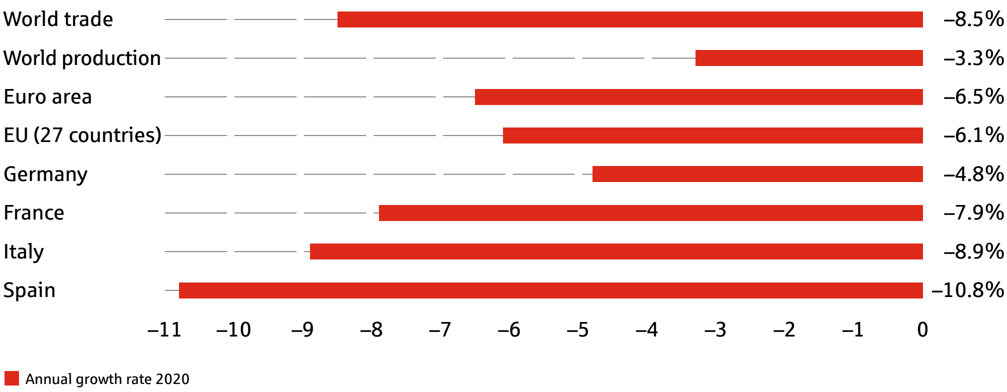
Economic Report

Macroeconomic situation

2020 was dominated by the Corona pandemic. World production fell by 3.3 percent and world trade by as much as 8.5 percent (both as defined by the IMF). While China was able to restore its pre-crisis production level in the course of 2020 and even grew for the year as a whole, most industrialised countries were disproportionately shaken by the pandemic.

The euro area economy shrank by 6.5 percent in 2020. Germany still came through the crisis year 2020 comparatively favourably with a real GDP decline of 4.8 percent. Italy, France and Spain were hit harder, with the very large tourism sector in these countries, especially in Spain, responsible for the sharp economic decline.

GDP growth in selected countries [1]



[1] Actual data for the European countries from official statistics. Source: Eurostat, data as of 18 June 2021, world trade and world production according to International Monetary Fund: World Economic Outlook of 6 April 2021, German GDP according to official revision of 30 April 2021.

Phases of contraction and recovery alternated with large swings over the course of the year. The strongest slump was in Germany in the second quarter of 2020 during the first lockdown. Compared to the previous quarter, seasonally adjusted real GDP slumped by 9.7 percent in the first quarter. After that, there was an astonishingly strong and rapid recovery of 8.5 percent in seasonally adjusted development in the third quarter of the year. However, this recovery was abruptly interrupted at the end of the year with another lockdown.

Even before the pandemic began in Europe, supply chains were affected by the production shutdowns in China. In the first lockdown in spring 2020, industry in Germany was also severely affected. Afterwards, especially at the end of the year in the second lockdown, it was mainly the service sector with the areas directly affected by the closures that were shut down.

In the breakdown by use, almost all parts of GDP were clearly in the red in 2020. Private consumption shrank by 6.1 percent in price-adjusted terms. Large parts of the consumption range were simply not possible. Since incomes across the board were far less affected, the savings rate increased considerably, averaging 16.2 percent for the year. Investments in equipment even declined by 9.4 percent in real terms. There was a similarly strong contraction in foreign trade, both in exports and imports, as trading partner countries were also hit hard. Exports, adjusted for prices, fell by 9.4 percent, imports by 8.5 percent.

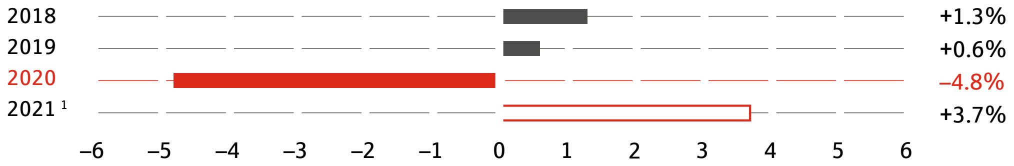
Only two expenditure components of GDP resisted the general contraction. Construction investments increased by 1.9 percent in real terms, as construction production was largely unhindered throughout the year. With a price-adjusted increase of 3.3 percent in government consumption, the extent to which the public sector has committed itself as a second stabilising pillar with its support policy is evident.This is also reflected in the government financing balance, which has changed from a surplus in previous years to a general government deficit (federal government, federal states, municipalities and social security funds) of almost EUR 149 billion by 2020. This corresponds to 4.5 percent of GDP. By the end of 2020, the German government as a whole had reached a debt level of EUR 2,325 billion. This represents 69.7 percent of GDP.

The reaction of the labour market in Germany was surprisingly moderate, given the historic scale of production losses. The unemployment rate rose only slightly to 5.9 percent on average for the year. The use of the economic policy crisis instrument of short-time work regulations contributed significantly to limiting the employment losses.

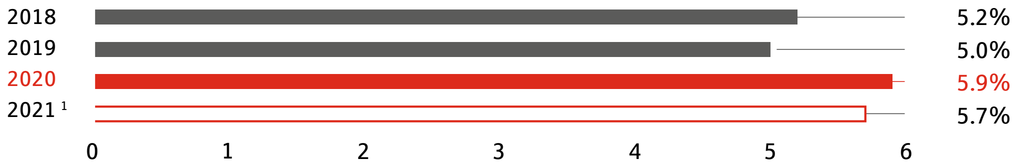
The price development in 2020 was also very moderate. The Corona crisis was characterised by both supply restrictions and the absence of demand. The demand-side factors initially predominated in the effect on prices. The consumer price index (in the national definition) rose by only 0.5 percent on average for the year. The temporary reduction in VAT also contributed to this in the second half of the year.

Economic development – review and outlook 2018–2021

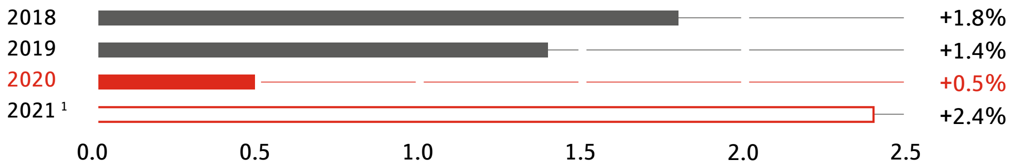
Growth of real gross domestic product (GDP) (Germany)



Unemployment rate of all domestic labour force (Germany)



Change in the cost-of-living index (Germany)



Actual data 2018 to 2020 from official statistics; Eurostat, Destatis and Federal Employment Agency.

[1] Forecasts for the euro area and Germany in 2021 from the "Spring Report", the joint diagnosis of the German economic research institutes of 15 April 2021.

Developments on the money and capital markets

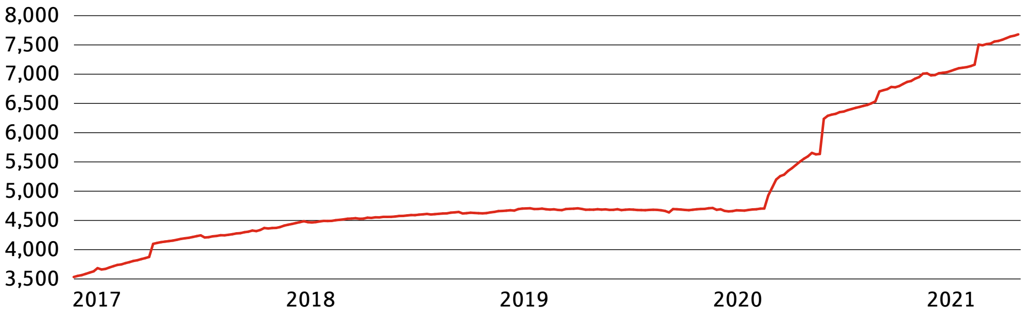
The European Central Bank continued its already very expansive monetary policy and even further intensified it in the face of the pandemic consequences. It has thus reacted similarly to other major central banks worldwide. Extensive liquidity provision was intended to calm the markets. The weak development of consumer prices also offered the ECB some leeway and gave it further reason to expand.

In spring 2020, the ECB launched an additional purchase programme[1], the "pandemic emergency purchase programme (PEPP)", intended as a temporary measure for the pandemic. A total volume of EUR 750 billion was initially announced, which was then expanded in two stages to EUR 1,850.0 billion in June and December. This is the framework that has not yet been fully utilised, for the flexible purchases of bonds[1] and it will continue to be used at least until the beginning of 2022. Repayments from maturing bonds will be reinvested at least until the end of 2023.

In addition, the ECB continued its series of long-term tenders ("TLTRO III")[2] and made their conditions even more favourable in 2020. This is intended to further strengthen lending by credit institutions. In fact, lending and, mirroring this, deposit growth in the euro area increased very strongly in 2020. M3 growth in the entire currency area accelerated to a 12-month rate of 12.3 percent at the end of 2020.

The monetary expansion is also reflected in a corresponding increase in the consolidated balance sheet total of the Eurosystem.

Consolidated balance sheet total of the Eurosystem, in EUR billions

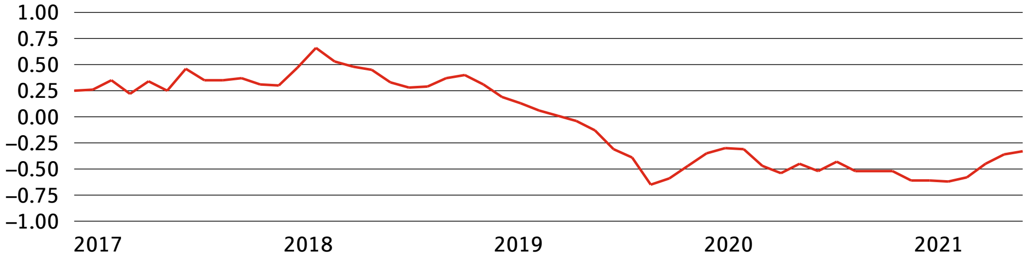


Source: European Central Bank

After the capital markets had attempted a rudimentary exit from the negative interest rate situation at the end of 2019, they started 2020 with yields that were no longer quite as far below the zero line as they had been at the record lows of summer 2019. In the wake of the Corona pandemic, however, the trend then reversed again. In the wake of the looming economic crisis and the renewed monetary policy crackdown, yields of the ten-year federal bonds fell back below the deposit facility mark at –0.5 percent in spring 2020. They remained there until the end of the year. It was not until after the end of the 2020 reporting year that yields rose, starting in the USA, but then also in the euro area. This was triggered by the return of the issue of long-term inflation expectations to the capital markets.

[1] Mainly government bonds with a small mix of other bonds.
[2] Targeted Longer-Term Refinancing Operations.

Current yield of German government bonds with a remaining term of ten years in %

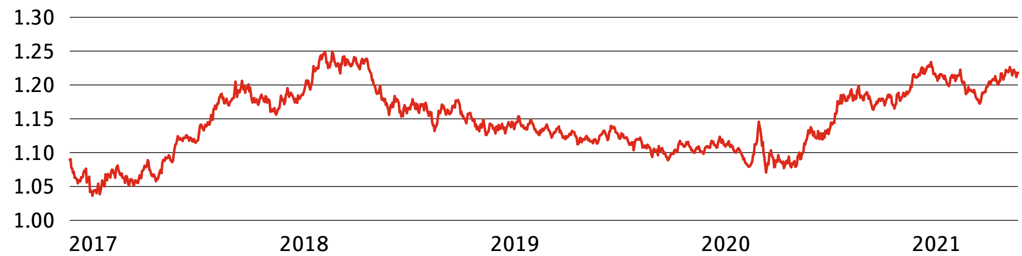


Source: European Central Bank

In spring 2020, the stock markets in Europe and North America initially reacted with panic-like price losses. These accounted for almost 40 percent of the DAX from the beginning of February to mid-March. Afterwards, the markets recovered quite quickly as the fight against the crisis by monetary and fiscal policy became clear. Moreover, quick recovery scenarios for the real economy were soon traded, which still prevail today. By the end of the year, the price losses had been made up. In the DAX, the year-end level in 2020 was 13,718 points, 3.5 percent higher than the previous year-end level of 13,249 points. However, this annual performance underlines the strength of the recovery from March 2020 into 2021.

In view of the dramatic developments in the real economy and the huge swings in GDP and goods trade, the situation on the foreign exchange markets, at least among the major currencies, remained surprisingly calm. This also applied to the bilateral exchange rate between the US dollar and the euro, despite the political escalations surrounding the change of presidency in the USA. On balance, the euro appreciated by a good nine percent over the course of the year, from 1.1234 US dollars at the end of 2019 to 1.2271 US dollars at the end of 2020. However, this happened in a fairly steady development over the course of the year.

Euro reference rate USD / EUR



Source: European Central Bank

Major markets and positioning

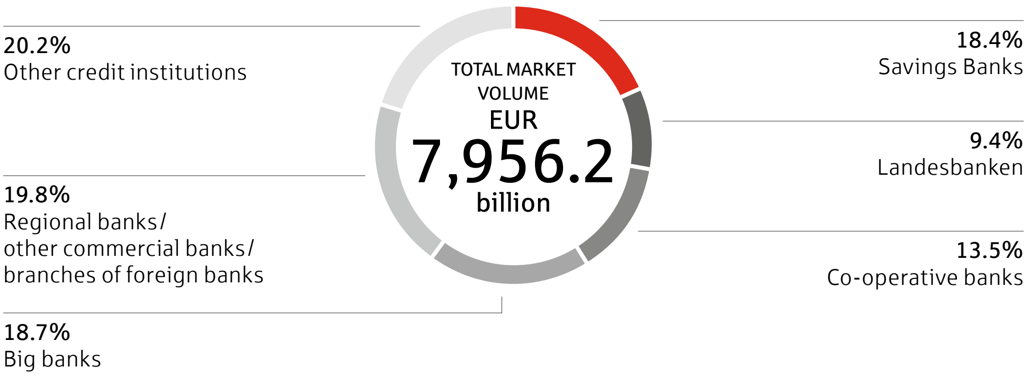
General overview

The institutions of the Savings Banks Finance Group[1] had a combined business volume[2] of EUR 2,213.6 billion at the end of 2020. This represents a 27.8 percent share of the total market volume of EUR 7,956.2 billion.

This means that the Savings Banks Finance Group's share of the on-balance sheet banking business of the German banking industry decreased by 0.5 percentage points compared to the previous year. The Savings Banks' business volume increased significantly by 9.1 percent, while that of the Landesbanken recorded – as in the previous year – only a slight increase, now by 1.4 percent. The share of the Savings Banks in the business volume of the Savings Banks Finance Group is around 66 percent, the share of the Landesbanken around 34 percent.

From the end of 2008 to 2019, the Landesbanken more than halved their business volume. This reduction clearly reflects the strategy-compliant process of redimensioning the Landesbanken through the drastic reduction of the credit substitute business and the discontinuation of business segments that are no longer part of their core business. The 2017 business year was a turning point for the Landesbanken: For the first time since 2007, the business volume grew. This development was also continued in the following business years. Thus, the further development of the business model and the expansion of business with large and medium-sized enterprises came to the fore at the majority of the Landesbanken.

Market shares by business volume*
As at: 31.12.2020



* Excluding derivative instruments in the trading portfolio.
Source for all market share graphs: Deutsche Bundesbank and own calculations.

In 2020, the lockdowns had a serious impact on the real economy that affected the banking market in different ways.

[1] The use of "Savings Banks Finance Group" in this chapter refers to the Savings Banks and Landesbanken (excluding foreign branches and excluding domestic and foreign subsidiaries of the Landesbanken). The Landesbausparkassen are not included here. In the Bundesbank data, Hamburg Commercial Bank (former HSH Nordbank) and Landesbank Berlin/Berliner Sparkasse are no longer included in the Landesbanken since December 2018. The latter is now listed under the Savings Banks.
[2] Excluding trading portfolio derivatives and own debt securities repurchased.

The development of the German banking industry's customer business in the 2020 financial year was characterised by very high portfolio growth in private housing loans as well as deposits from private individuals and companies. In the reporting year, portfolio gains in corporate loans no longer reached the level of the two previous years, and consumer loans declined in the market as a whole.

In the customer lending business, the Savings Banks Finance Group recorded slight losses in market share in corporate loans and private housing loans in the 2020 financial year. It lost shares in the consumer lending business. In the deposit business with private customers, the Savings Banks Finance Group was able to expand its market position in 2020. Measured by its share in this business segment, it is clearly ahead of the other banking groups. The Savings Banks Finance Group's share of deposits from domestic companies increased significantly in the reporting year.

Corporate lending business

After a strong increase in the previous year of around EUR 76.5 billion or 5.2 percent, the total market volume of corporate loans did not increase quite as strongly in the 2020 financial year; rising by EUR 58.3 billion or 3.8 percent to EUR 1,605.0 billion. Slowed investment behaviour by companies is evident as a result of the Corona pandemic.

With a portfolio increase of EUR 20.4 billion or 3.3 percent, the Savings Banks Finance Group recorded portfolio growth slightly below the bank average and thus a slight loss of market share. The development of Savings Banks and Landesbanken in this segment was very different: In contrast to the high portfolio and market share gains of the Savings Banks, Landesbanken recorded portfolio declines and a falling market share.

The corporate loan volume issued by the Savings Banks Finance Group totalled EUR 646.1 billion at the end of 2020. This represents a market share of 40.2 percent, with 30.5 percentage points attributable to the Savings Banks and 9.7 percentage points to the Landesbanken.

This means that the Savings Banks Finance Group continues to be the most important financial partner within the German banking industry, especially for small and medium-sized enterprises, even during the pandemic. They are followed at a significant distance by the credit banks with 27.6 percent and the cooperative banks with 20.1 percent.

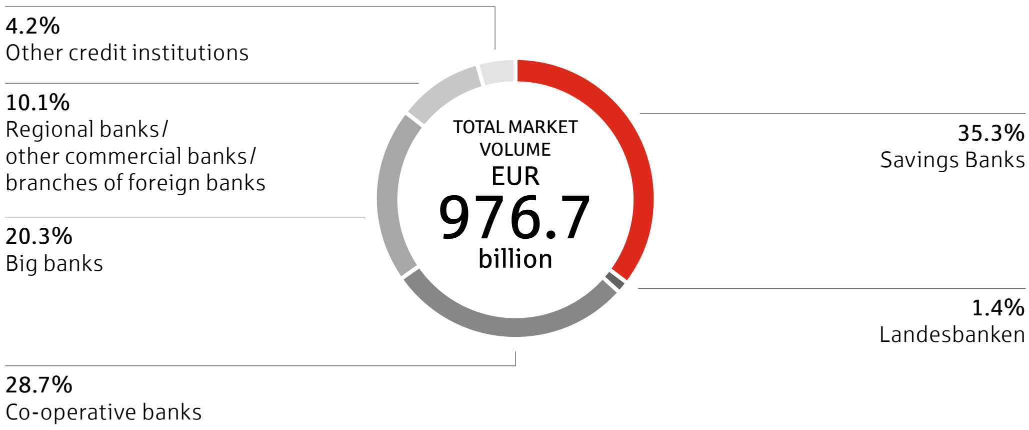
Market shares loans to enterprises*
As at: 31.12.2020

* Loans to enterprises and self-employed persons (including commercial housing loans).

Loans to private clients

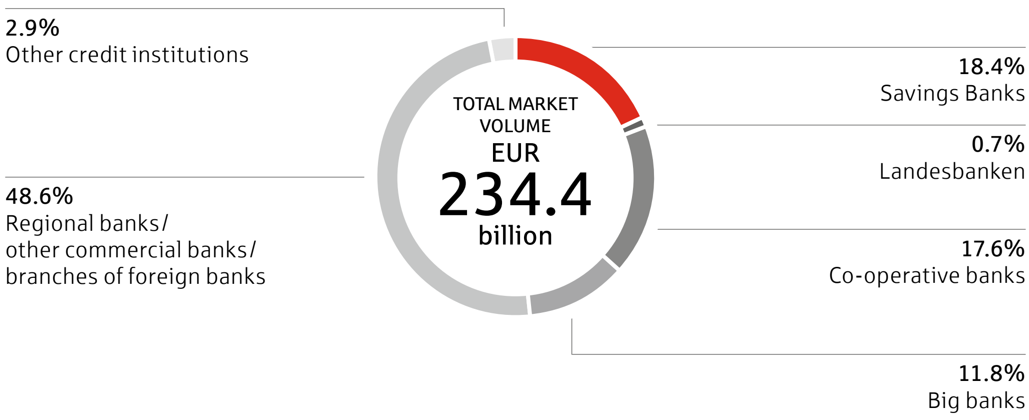
Since 2012, the demand for loans for private residential construction has picked up noticeably, mainly due to interest rates. As a result of this, the total market volume of private residential construction loans continued to increase significantly by EUR 58.0 billion or 6.3 percent to EUR 976.7 billion in the reporting year, again significantly stronger than in the previous year. The Savings Banks Finance Group achieved portfolio growth in 2020 that was only slightly below the market average. Its portfolio volume increased by EUR 20.6 billion to EUR 357.9 billion. The Savings Banks account for a 35.3 percent share of the total market. Together, the Savings Banks and Landesbanken have a market share of 36.7 percent. The second strongest group of institutions are the credit banks with a share of 30.4 percent. The third strongest group is the cooperative banks with a share of 28.7 percent.

Market shares residential housing laons
As at: 31.12.2020



In contrast to the previous year, the consumer credit business across all bank groups was characterised by a decline in the portfolio in 2020. The market volume decreased by EUR 2.2 billion or 0.9 percent to EUR 234.4 billion at the end of 2020.

Market shares consumer loans
As at: 31.12.2020



The institutions of the Savings Banks Finance Group recorded a portfolio decline of EUR 1.5 billion or 3.1 percent (previous year: –1.1 percent). With a portfolio volume of EUR 44.8 billion and a share of 19.1 percent, the Savings Banks Finance Group is clearly behind the banking category of regional banks / other commercial banks / branches of foreign banks (share 48.6 percent), but remains in second place. The market is primarily dominated by regional / other credit banks, in which almost all specialised financiers are classified. These were able to further expand their share of the consumer credit business in 2020.

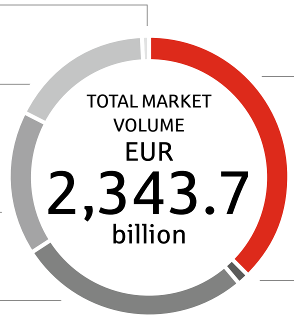
Deposits from private clients

In the case of deposits from private individuals[1], the total market volume again increased noticeably last year by 6.5 percent to EUR 2,343.7 billion. At EUR 143.8 billion, the absolute growth was again above the corresponding figure for the previous year (EUR 103.1 billion).

Within the individual investment categories, there was an increase in holdings for the fifth successive year exclusively in the demand deposits of private individuals due to interest rates, whereby the increase in demand deposits was again extraordinarily strong with a plus of 10.8 percent (previous year: 7.9 percent). In contrast, as in previous years, outflows were recorded in the holdings of private time deposits as well as in the holdings of savings deposits and savings bonds. The developments in the Savings Banks Finance Group thus follow the general market trends.

In particular, the market segment of time deposits of private customers has been largely marginalised in Germany due to the development of interest rates in recent years.

Market shares deposits from private individuals*
As at: 31.12.2020



*Excluding time deposits with a fixed term of more than two years

Overall, the current development continues to clearly show the persistent liquidity preference of private clients. On the one hand, this is due to the on-going low interest rate level and also reflects the continued wait-and-see attitude of many private investors in their investment dispositions. On the other hand, the savings behaviour of consumers increased both due to the often severely restricted consumption possibilities as a result of the Corona pandemic in 2020 as well as the accompanying uncertain personal work and life situation.

[1] Excluding time deposits with a fixed term of more than two years.

The Savings Banks Finance Group achieved an increase of EUR 58.9 billion or 6.9 percent (previous year: +4.9 percent) in deposits from private individuals to EUR 916.7 billion in the reporting year 2020. The inflow of deposits was thus slightly above average, so that the market share increased slightly. The Savings Banks Finance Group achieved a market share of 39.1 percent at the end of the year.

The Savings Banks Finance Group thus remains the market leader in the deposit business with private customers ahead of the credit banks, which have a portfolio of EUR 791.7 billion and a market share of 33.8 percent. Included in this are the regional / other credit banks / branches of foreign banks with a share of 17.4 percent. This group of institutions, which includes all direct banks (including automotive banks), was unable to improve its market position – as in the previous year. Third place is held by the group of cooperative banks, which is also strongly anchored in the retail business. With a portfolio of EUR 632.9 billion, they accounted for 27.0 percent of total private deposits at the end of the year.

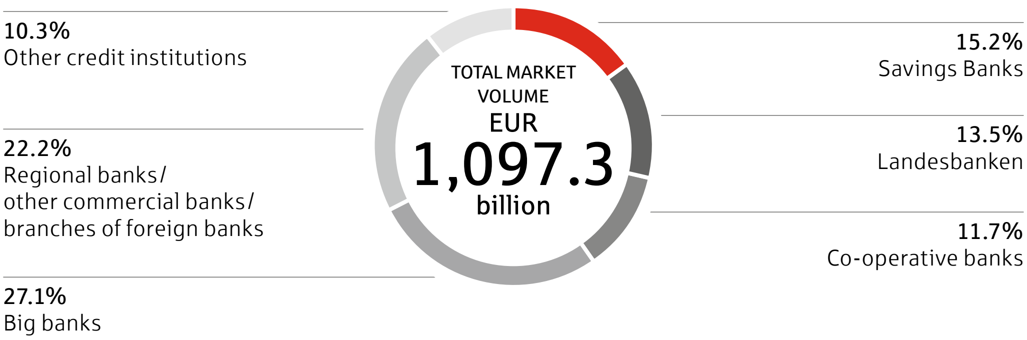
Deposits from domestic enterprises

After private deposits, deposits from domestic enterprises represent the second largest segment of the total customer deposit business of the German banking industry. They amounted to EUR 1,097.3 billion at the end of 2020.

While deposits from domestic companies declined slightly in the previous two years, they recorded a very strong portfolio gain of EUR 84.5 billion or 8.4 percent in the 2020 financial year. This is certainly due in part to the cautious disposition of companies during the pandemic. The development was largely similar for the individual bank groups. All bank groups except real estate credit institutions were able to increase their deposit holdings more strongly. The portfolio of corporate deposits of the Savings Banks increased very significantly in the year under review by EUR 22.3 billion or 15.5 percent, with their market share rising to 15.2 percent.

At the Landesbanken, the deposit portfolio held by domestic companies increased to EUR 148.7 billion at the end of 2020 (portfolio at the end of 2019: EUR 137.8 billion). Despite the portfolio and market share declines of the past years due to the restructuring measures, the Landesbanken continue to have a strong market position in deposits from domestic companies with a market share of 13.5 percent. Together with the Savings Banks, the Landesbanken held a market share of 28.7 percent in this deposit segment at the end of 2020.

Market shares deposits from domestic enterprises
As at: 31.12.2020



Savings Banks are competent and reliable partners for the international business transactions of German enterprises, especially during the Corona crisis

Trade conflicts, Brexit and especially the Corona pandemic which was announced by the WHO placed a strain on the world markets. Compared to the previous year, the German export economy fell back by 9.3 percent to its 2016 level. In 2020, goods worth EUR 1,205.1 billion were exported.[1] At the same time, imports declined as significantly as they last did 28 years ago. In total, imports worth EUR 1,025.4 billion were traded (–7.1 percent compared to the previous year).[1] The export surplus thus fell from EUR 223.5 billion to EUR 179.8 billion. Particularly in times of lockdowns, significant slumps in foreign trade can be seen. However, the economy learned to deal with the crisis. From the 3rd quarter onwards, imports and exports rose again, in some cases reaching the previous year's level. The most important global trading partners for Germany remain the USA and China. In the EU, the Netherlands and France are important regions for German companies.

International business entails opportunities, but also risks. The current global Corona crisis has lead to massive payment or delivery failures and major uncertainties. These effects significantly affect the economic stability of businesses. In order to actively support small and medium-sized enterprises and self-employed persons, the Savings Banks have made an important contribution through their crisis management.

However, the Savings Banks Finance Group has also supported SMEs in their international business for many years. Through its international network, consisting of the "S-CountryDesk", the Landesbanken and Deutsche Leasing, the Savings Banks use their connections to over 10,000 correspondent banks in around 100 locations worldwide. This means that customers and Savings Banks can be supported directly on site and in German, and accompanied during important discussions. Furthermore, businesses can use the DSGV's EuropaService, which mediates business relationships between domestic and foreign companies through its cooperation with 600 institutions in over 60 countries.

The Savings Banks Finance Group is steadily developing into the foreign trade manager for companies – regionally anchored and globally networked. In addition to the existing classic range of services offered by the Savings Banks, from foreign payment transactions to foreign trade financing, services that offer customers further added value, such as foreign trade and customs advice, will be expanded in the future. Thus, as "The SME financier", Savings Banks are not only crisis managers in difficult times, but also support internationally operating corporate customers with their broad global network and individual solutions as local partners.

[1] Goods trade only, excluding services.

Business performance and financial position

Development of the institutions affiliated to the Institution Protection Scheme[1] – an aggregated view

In its operating business, the Savings Banks Finance Group recorded a stronger result in the 2020 financial year compared to the previous year.

The earnings situation of the Savings Banks Finance Group was noticeably affected by the impact of the Corona pandemic in the year under review; as a result, the valuation result[2] increased significantly compared to 2019. Administrative expenses and net commission income developed positively. Overall, however, the annual result (before and after taxes) was lower.

↘ Further information on the business development of the Savings Banks, Landesbanken and Landesbausparkassen can be found on pages 47, 54 and 59.

In operational terms, the Savings Banks Finance Group 2020 achieved an operating result before valuation of EUR 10.9 billion, which was higher than in the previous year (EUR 10.1 billion). The increase – with a slightly weaker interest result – is due to an improved commission result and lower administrative expenses in the 2020 financial year. The net commission income of the Savings Banks Finance Group rose by 1.8 percent to EUR 9.8 billion. At EUR 27.6 billion, net interest income remained below the previous year's result (–0.4 percent) due to interest rates. The trading result (net result from financial transactions), which is only relevant for the Landesbanken within the Savings Banks Finance Group, remained stable in the reporting year at EUR 0.5 billion.

Administrative expenses fell by 3.1 percent to EUR 27.2 billion due to lower operating expenses.

The cost-income ratio[3] of the entire Savings Banks Finance Group improved to 71.3 percent in the financial year 2020 (previous year: 73.5 percent). This was primarily due to the decline in administrative expenses and the increase in net commission income.

In terms of the valuation result, the Savings Banks Finance Group recorded a Corona-related increase in the valuation balance in 2020 compared to the previous year. The net valuation expense increased from EUR –0.6 billion in 2019 to EUR –2.9 billion in 2020. In the reporting year, the greater burden resulted in particular from higher allocations to loan loss provisions in the institutions' lending business, which became necessary due to the lockdowns in the Corona pandemic.

The extraordinary result[4], however, burdened the earnings situation of the Savings Banks Finance Group 2020 to a much lesser extent than in the previous financial year. At EUR – 3.9 billion, the negative balance was significantly lower than the previous year's figure of EUR – 4.7 billion.

[1] This chapter looks at the aggregate development of the Savings Banks, Landesbanken and Landesbausparkassen (Landesbanken without foreign branches, without domestic and foreign Group subsidiaries and without LBS) as well as Hamburg Commercial Bank (former HSH Nordbank), which still remains in the institution protection scheme.
[2] Write-downs of and value adjustments to receivables and securities in the liquidity reserve (netted against income from write-ups to receivables and securities in the liquidity reserve) as well as changes in contingency reserves in accordance with Section 340f of the German Commercial Code.
[3] Administrative expenses in relation to operating income (sum of net interest income, net commission income, net income from financial transactions and other operating income).
[4] Balance of other and extraordinary income/expenses. In contrast to the income statement statistics of the Deutsche Bundesbank, the allocations to and withdrawals from the fund for general banking risks pursuant to Section 340g of the German Commercial Code are also included in the "extraordinary result".

Selected key figures of the Savings Banks Finance Group *

Selected balance sheet items

	Portfolio at the end of 2020 in EUR billion	Portfolio at the end of 2019 in EUR billion	Change in %
Loans and advances to banks (MFIs[1])	**273.0**	268.6	+1.7
Loans and advances to non-banks (non-MFIs)	**1,338.1**	1,307.4	+2.4
Liabilities to banks (MFIs)	**436.0**	371.4	+17.4
Liabilities to non-banks (non-MFIs)	**1,409.4**	1,342.0	+5.0
Equity	**177.9**	173.0	+2.8
Total assets	**2,383.3**	2,273.5	+4.8
Core capital ratio according to CRR[2] (as percentage, change in percentage points)	**16.5**	16.1	+0.4

Selected income statement items[3]

	2020[4] in EUR billion	2019 in EUR billion	Change in %
Net interest income	**27.625**	27.737	–0.4
Net commission income	**9.809**	9.636	+1.8
Net income from financial transactions	**0.453**	0.472	–4.1
Administrative expenses	**27.153**	28.011	–3.1
Operating result before valuation	**10.921**	10.104	+8.1
Operating result after valuation	**8.069**	9.525	–15.3
Net income before taxes	**4.204**	4.845	–13.2
Income taxes	**2.751**	2.662	+3.3
Net income after taxes	**1.454**	2.184	–33.4
of which net income Savings Banks after taxes	1.481	1.878	–21.2
of which net income Landesbanken after taxes	–0.057	0.279	–[5]
of which net income Landesbausparkassen after taxes	0.030	0.026	+13.6

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of Landesbanken) as well as Hamburg Commercial Bank (former HSH Nordbank), which still remains in the institution protection scheme.
[1] Monetary Financial Institutions.
[2] Capital Requirement Regulation.
[3] Allocations to the fund for general banking risks in accordance with Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement in accordance with the German Commercial Code – as expenses reducing the annual result; in the DSGV financial reports up to 2010, these "Section 340g allocations" were treated analogously to the income statement statistics of the Deutsche Bundesbank as an appropriation of profit increasing the annual result.
[4] Preliminary figures from partly not yet audited annual financial statements according to the German Commercial Code, rounding differences possible.
[5] Calculation not meaningful.

Overall, the member institutions of the Savings Banks Finance Group achieved a pre-tax profit of EUR 4.2 billion in 2020. In the previous year, the group had closed with a pre-tax profit of EUR 4.8 billion. The Savings Banks Finance Group recorded an annual result of EUR 1.5 billion in 2020 after taxes, compared to EUR 2.2 billion in the previous year.

In the past financial year, the aggregate balance sheet total of the Savings Banks Finance Group continued to increase compared to the previous year. The decline in previous years was mainly due to the strategic measures for the realignment and redimensioning of the Landesbanken which resulted in a further reduction in total assets.

The balance sheet total of the Savings Banks Finance Group increased by 4.8 percent to EUR 2,383.3 billion at the end of the year (previous year: +4.4 percent). The customer lending business and customer deposit business were once again expanded. Savings Banks were able to achieve higher growth in customer lending business in particular. Claims on non-banks increased by 2.4 percent to EUR 1,338.1 billion. Liabilities to non-banks of the Savings Banks Finance Group increased by 5.0 percent to EUR 1,409 billion.

The balance sheet equity of the Savings Banks Finance Group increased again in 2020. It grew by 2.8 percent to EUR 178 billion (previous year: +3.1 percent). The Group thus once again improved its equity capitalisation in the past financial year.

178
EUR billion
BALANCE SHEET EQUITY OF THE SAVINGS BANKS FINANCE GROUP

The calculated core capital of the Savings Banks Finance Group in accordance with CRR/CRD IV[1] increased to EUR 175.6 billion at the end of 2020 (end of 2019: EUR 169.1 billion), while the total risk contribution (counterparty risks, market risk positions and other risks) amounted to EUR 1066.5 billion (end of 2019: EUR 1,052.2 billion). As a result, the core capital ratio of the Savings Banks Finance Group rose slightly again to 16.5 percent at the end of 2020 (end of 2019: 16.1 percent).

Based on its solid equity base, the Savings Banks Finance Group will continue to make a sustainable contribution to the supply of credit to the German economy, especially to the many small and medium-sized enterprises.

Business performance of the Savings Banks

In 2020, the Savings Banks in Germany reported successful business development in the lending, deposit and securities business. Their balance sheet total increased by EUR 113.7 billion (+8.7 percent) to EUR 1,414 billion. The number of Savings Banks decreased by three to 376 Savings Banks (previous year: 379; as at 15.06.2021: 371).

1,414
EUR billion
BALANCE SHEET TOTAL OF THE SAVINGS BANKS

The customer lending business was characterised by high dynamics. The Savings Banks recorded record growth in their portfolios with an increase of EUR 44.4 billion or 5.2 percent to EUR 905.6 billion. New business was also even better than in the previous year, clearly surpassing the previous best value from 2019. Loan repayments remained at a high level.

[1] CRR = Capital Requirements Regulation, CRD = Capital Requirements Directive.

One of the cornerstones of growth in 2020 was again private housing loans. Portfolio growth and new business are above the previous year. The portfolio increased by EUR 20.4 billion (+6.4 percent) to EUR 341.6 billion; in new business, the Savings Banks committed EUR 67.0 billion, EUR 8.1 billion more than in the previous year.

The loan portfolio of companies and self-employed persons increased even more strongly in 2020. With an increase of EUR 25.9 billion (+5.8 percent) to EUR 469.8 billion, record growth was achieved. Both investment loans and commercial housing loans were responsible for this. In new business, the Savings Banks committed EUR 106.4 billion, also a new record.

In terms of customer deposits, the Savings Banks had the highest growth ever in 2020 with a plus of EUR 79.1 billion (+7.9 percent) to a portfolio of EUR 1,074.6 billion. Structurally, the development was similar to previous years due to the low interest rates: Sight deposits were expanded, while other forms of investment (own issues, time deposits, savings deposits) declined.

In the off-balance sheet customer securities business, the Savings Banks recorded a significantly higher turnover compared to the previous year (+31.1 percent). Net sales (purchases minus sales by customers) were clearly positive; at EUR 19.1 billion, this was also above the previous year's figure.

Thus, direct financial asset formation was again able to benefit from inflows from the deposit business and the securities business in the reporting year.

Including the building society business attributable to the Savings Banks as well as the attributable life insurance business, Savings Bank customers made new direct and indirect investments of EUR 100.2 billion with their Savings Bank.

Earnings position

The Savings Banks' earnings position improved in the 2020 financial year in the operating business (operating result before valuation), despite the decline in net interest income due to the ongoing low-interest phase. The effects of the Corona pandemic can be seen in the 2020 profit and loss account of the Savings Banks primarily in naturally increased risk provisioning, which reduces the operating result after valuation.

The Savings Banks' operating business continues to be determined in particular by the development of net interest income from the highly competitive lending and deposit business with private customers and small and medium-sized enterprises. With a renewed decline, this time by 2.4 percent, the Savings Banks achieved net interest income of EUR 19.9 billion in the 2020 financial year (previous year: EUR 20.4 billion).

In customer business, the margins in the deposit business in particular remain under strong pressure or are already negative due to the interest rates. Despite increasing demand for credit in the 2020 pandemic, margins in lending business continue to fall slightly. The income on the assets side can therefore not compensate for the decline in income despite growing credit volumes. In the reporting year, the maturity transformation income increased slightly. Income from investments, on the other hand, fell noticeably, as there has been a quasi-disbursement ban on financial investments since the beginning of the pandemic.

The Savings Banks' net commission income increased by 2.4 percent to EUR 8.4 billion (previous year: EUR 8.2 billion). This improvement in earnings is not only due to a very sharp increase in commission income from the extremely dynamic development of the customer securities business, but also to growing income in the card and giro business. The Savings Banks also recorded noticeable increases in income from the brokerage of loans and real estate in 2020.

On balance, however, the declines in net interest income could only be partially offset by improved net commission income.

Administrative expenses fortunately fell by 3.0 percent to EUR 19.7 billion in the 2020 financial year (previous year: EUR 20.3 billion). The Savings Banks recorded a decline in operating expenses to EUR 7.3 billion in the reporting year (–4.6 percent, previous year: EUR 7.6 billion). In addition to regulatory issues, the necessary digitalisation and standardisation of processes also drove IT costs in 2020. In the reporting period, there were Corona-related decreases in expenses for advertising, as well as for education and training. However, due to the strong increase in covered customer deposits, the Savings Banks' bank levy also increased noticeably. Personnel expenses decreased noticeably by 2.1 percent in 2020 and amounted to EUR 12.4 billion (previous year: EUR 12.7 billion). Thus, the moderate salary increases from the 2020 collective wage agreement were more than compensated for by the continued personnel consolidation measures (including semi-retirement) and natural fluctuation.

The cost-income ratio [1] improved in the 2020 business year and reached a value of 69.3 percent (previous year: 70.9 percent). This was primarily due to the decline in administrative expenses. The lower net interest income had an increasing effect, while the increase in commission income had a decreasing effect.

The operating result before valuation thus increased to EUR 8.7 billion (previous year: EUR 8.3 billion).

With regard to the valuation result [2], the Savings Banks had to post a net valuation expense of EUR 1.8 billion in 2020. Compared to the previous year, the result is significantly higher due to the Corona pandemic. The valuation of securities in the liquidity reserve resulted in a negative valuation result of EUR 0.5 billion in 2020. In the previous year, the positive valuation result of EUR 0.3 billion had a positive effect.

In 2020, risk provisions in the lending business incurred net valuation expenses of EUR 1.3 billion due to Corona, after the valuation result from the previous year was only slightly negative. On the one hand, the good equity capitalisation of the companies and the government aid programmes prevented larger loan defaults. On the other hand, the increasing duration of the lockdowns are threatening the existence of certain sectors, such as store-based retail and gastronomy. Due to the suspension of the obligation to file for insolvency, some of the loan defaults originally expected for 2020 will probably not occur until 2021.

The "extraordinary result" [3] of the Savings Banks in the 2020 financial year was again characterised strongly by the additions to the fund for general banking risks in accordance with Section 340g of the German Commercial Code. At EUR 2.8 billion, the addition to the "340g reserves" was below the previous year's figure (2019: EUR 3.9 billion). The total "extraordinary result" therefore also closed with a significantly lower negative balance of EUR 2.9 billion in 2020 compared to the previous year.

Despite the improvement in the "extraordinary result", the net income before taxes was noticeably reduced by the valuation result. With net income before taxes of EUR 4.0 billion, the overall result of the Savings Banks in the 2020 financial year was below the previous year's figure (2019: EUR 4.3 billion).

4.0
EUR billion
NET INCOME BEFORE TAXES OF THE SAVINGS BANKS

[1] Administrative expenses in relation to operating income.
[2] The valuation result consists of the risk provisioning in the lending business and the allocations to / releases of provisioning reserves in accordance with Section 340f of the German Commercial Code as well as the write-downs and value adjustments on receivables and securities in the liquidity reserve (netted with income from write-ups on receivables and securities in the liquidity reserve).
[3] Balance of other and extraordinary income / expenses. In contrast to the income statement statistics of the Deutsche Bundesbank, the allocations to and withdrawals from the fund for general banking risks pursuant to Section 340g of the German Commercial Code are also included in the "extraordinary result".

Selected items of the Savings Banks' balance sheet and income statement

Selected items of the Savings Banks' income statement[1]

	2020[2] EUR billion	2019 EUR billion	Changes 2020 vs. 2019 EUR billion	Changes 2020 vs. 2019 %
Net interest income	**19.944**	20.439	–0.5	–2.4
Net commission income	**8.402**	8.203	+0.2	+2.4
Net result from financial operations	**0.009**	0.010	–0.0	–8.9
Administrative expenses	**19.692**	20.309	–0.6	–3.0
Personnel expenses	**12.422**	12.687	–0.3	–2.1
Other operating expenses (inc. depreciation of property, plant and equipment)	**7.270**	7.622	–0.4	–4.6
Operating result before valuation	**8.739**	8.336	+0.4	+4.8
Valuation result (excluding equity interests)	**–1.822**	–0.332	–1.5	> +100
Operating result after valuation	**6.918**	8.004	–1.1	–13.6
Balance of other and extraordinary income / expenses[1,3]	**–2.909**	–3.690	–0.8	–21.2
of which: additions to the fund for general banking risks pursuant to Section 340g of the German Commercial Code	**–2.755**	–3.927	–1.2	–29.8
Net profit before taxes	**4.009**	4.314	–0.3	–7.1
Profit related taxes	**2.528**	2.436	+0.1	+3.8
Net profit after taxes	**1.481**	1.878	–0.4	–21.2
Return on equity before taxes (in %, changes in % points)	**5.5**	7.0	–	–1.5
Cost-income ratio (in %, change in % points)[4]	**69.3**	70.9	–	–1.6

[1] Allocations to the fund for general banking risks according to Section 340g of the German Commercial Code are taken into account here – as in the "original" income statement according to the German Commercial Code – as expenses reducing the annual result.
[2] Preliminary figures from partly-audited annual financial statements according to the German Commercial Code, rounding differences possible.
[3] This includes the balance from profits from the sale of financial investments and securities held as fixed assets, write-downs on / write-ups to financial investments and securities held as fixed assets as well as changes in the fund for general banking risks in accordance with Section 340g of the German Commercial Code (additions to the fund for general banking risks with a negative sign).
[4] Administrative expenses in relation to operating income.

Net income after income taxes amounted to EUR 1.5 billion in the 2020 financial year and was thus below the previous year's level (EUR 1.9 billion), as expected.

905.6
EUR billion
CUSTOMER LOANS

Lending business

The total customer lending business grew by EUR 44.4 billion in 2020. The Savings Banks thus increased their portfolio by 5.2 percent to EUR 905.6 billion (previous year +4.6 percent).

New business improved by 12.8 percent compared to the previous year, with a new record of EUR 191.8 billion. The fact that this was not reflected even more strongly in the portfolios is due to the still very high redemptions, which at EUR 126 billion are also above the high level of the previous year.

This development in the customer lending business was driven partly by the corporate lending business. In the course of 2020, the Savings Banks committed EUR 13.1 billion (or 14.1 percent) more new loans to companies and the self-employed than in 2019. At EUR 106.4 billion, a new record value was achieved.

Commitments in all quarters of the year were significantly higher than in the previous year. This has shown that Savings Banks stand by their corporate clients in a crisis and are able to direct funds from KfW and the promotional institutions of the federal states to their clients without delay. The EUR 106.4 billion figure includes EUR 7.9 billion in KfW and LFI special loans, which account for 7.5 percent of new business with enterprises and the self-employed. Even excluding the Corona special loans, the Savings Banks achieved the best new business ever with EUR 98.5 billion.

The strong new business was also reflected in the loan portfolio. In 2020, the increase amounted to EUR 25.9 billion or 5.8 percent (portfolio at year-end: EUR 469.8 billion).

As a result, investment loans by companies and the self-employed increased by EUR 14.6 billion or 4.8 percent (previous year +5.2 percent) to a portfolio of EUR 318.5 billion in 2020. The loan portfolio in commercial housing construction also increased strongly by EUR 11.3 billion or 8.0 percent (previous year +7.0 percent) to EUR 151.3 billion.

In addition, the Savings Banks also recorded a strong increase in new business in loans to private individuals compared to the previous year. For 2020 as a whole, this results in a commitment volume of EUR 77.3 billion, an increase of EUR 7.4 billion (+10.6 percent) compared to 2019. The portfolio has also increased quite strongly again in 2020, by EUR 19.1 billion or 5.3 percent to EUR 382.7 billion (previous year +4.3 percent).

The increase in new business is due to the growth in private housing loans. Commitments amounted to a record EUR 67 billion, an increase of EUR 8.1 billion (+13.7 percent) compared to 2019. This growth reflects the considerable price increases of the past years, as a result of which Savings Banks granted higher real estate loans than in previous years. It should also be noted that these price increases have not slowed down demand. The attractiveness of real estate proved to be as high as ever in view of the continuing low interest rates.

The portfolio of private housing loans increased by a good EUR 20.4 billion (+6.4 percent) to EUR 341.6 billion in the course of the year, clearly exceeding the previous year’s growth (+5.8 percent).

The consumer loans/other loans business continued to decline in 2020 compared to previous years. In new business, the Savings Banks committed EUR 10.2 billion, EUR – 0.7 billion (–6.0 percent) below the previous year. The loan portfolio decreased further by EUR –1.3bn (–3.0 percent); however, it must still be taken into account that Savings Banks customers have considerable liquid assets and also use them for consumption in view of the interest rate situation.

In 2020, loans to domestic public authorities decreased by EUR 1.8 billion (–5.4 percent) to EUR 31.6 billion (2019: – 6.6 percent). At EUR 4.3 billion, new business was up +40.8 percent on the previous year.

Development of the Savings Banks' customer lending business

	2020 EUR billion	2019 EUR billion	Changes in EUR billions	Changes in %
Customer loans	**905.6**	861.2	+44.4	+5.2
Corporate loans[1]	**469.8**	443.9	+25.9	+5.8
Loans to private individuals	**382.7**	363.6	+19.1	+5.3
Private housing loans	341.6	321.2	+20.4	+6.4
Consumer loans/other loans	41.2	42.4	–1.3	–3.0
Loans to public budgets	**31.6**	33.5	–1.8	–5.4
Total loan commitments/loan disbursements domestic clients	**191.8/170.6**	170.0/154.7	+21.2/+15.9	+12.8/+10.3
Loan commitments/loan disbursements corporates and self-employed[1]	**106.4/93.1**	93.3/84.2	+13.1/+8.9	+14.1/+10.7
Loan commitments/loan disbursements private individuals	**77.3/70.1**	69.9/64.3	+7.4/+5.8	+10.6/+9.1

[1] Including commercial housing loans.

Client securities business

In off-balance-sheet customer securities business, the Savings Banks recorded total turnover of EUR 145.9 billion in 2020, far exceeding the previous year's level (+EUR 34.6 billion or +31.1 percent) and reaching the highest level since 2008. Despite or partly because of the turbulence on the stock markets, turnover increased especially in equities (+111.9 percent) and investment funds (+19.2 percent). Sales of fixed-interest securities, on the other hand, fell by 13.0 percent. Net sales (purchases minus sales) were clearly positive in 2020 and, at EUR 19.1 billion (2019: EUR 10.8 billion), were the second highest since 2000. This was mainly due to high positive net sales of investment funds (+EUR 14.1 billion), but equities (+EUR 4.7 billion) were also positive, while fixed-income securities (+EUR 0.3 billion) were only modestly positive. Among the investment funds, equity funds (+EUR 6.6 billion), open-ended real estate funds (+3.8 billion euros), mixed funds (+2.8 billion euros) and other funds (+EUR 1.6 billion) had the highest positive balances.

Customer securities business at the Savings Banks

	2020 EUR billion	2019 EUR billion	Changes in EUR billion	Changes in %
Securities trading volume	**145.9**	111.3	+34.6	+31.1
Net securities sales[1]	**19.1**	10.8	+8.4	+77.9

[1] Net turnover as the balance of purchases and sales by customers

Refinancing

The Savings Banks refinance themselves mainly from deposits from private customers and companies. In the wake of the Corona crisis, the Savings Banks recorded higher portfolio growth than ever before in 2020, with EUR 79.1 billion (+7.9 percent, previous year +4.8 percent). The portfolio at the end of 2020 amounted to EUR 1,074.6 billion.

1,074.6
EUR billion
CUSTOMER DEPOSITS WITH SAVINGS BANKS

The interest rate-induced development of the past years basically continued: demand deposits were further increased (by EUR 96.9 billion or 14.6 percent to a portfolio of EUR 761.5 billion), the other categories decreased. Time deposits decreased by EUR –3.9 billion or –23.5 percent to EUR 12.6 billion, Savings deposits by EUR 9.9 billion or –3.5 percent to EUR 272.8 billion and own issues by EUR –4.0 billion or –12.6 percent to EUR 27.7 billion.

The reason for the high growth in demand deposits was, on the one hand, the reduced consumption possibilities (due to temporary closures of store-based trade and existing travel restrictions), but on the other hand, customers also kept their money together during the pandemic and created a security reserve.

Domestic companies increased their deposits by EUR 20.9 billion or +14.1 percent to EUR 169.3 billion (+3.5 percent in the previous year). Private customers invested an additional EUR 54.0 billion in 2020 (+6.9 percent to EUR 834.7 billion), an even higher increase compared to 2019 (+5.0 percent).

The Savings Banks were characterised by a comfortable refinancing situation, as in previous years. The entire customer lending business could be refinanced through customer deposits. However, the massive inflow of deposits also meant that not all customer deposits could be tied up in customer loans, which meant that funds had to be deposited with the Bundesbank and a custody fee paid.

Customer deposit business at the Savings Banks

	2020 EUR billion	2019 EUR billion	Changes in EUR billion	Changes in %
Customer deposits	**1,074.6**	995.5	+79.1	+7.9
of which savings deposits	272.8	282.7	–9.9	–3.5
of which own issues	27.7	31.7	–4.0	–12.6
of which time deposits	12.6	16.4	–3.9	–23.5
of which sight deposits	761.5	664.6	+96.9	+14.6

Financial asset acquisition

Due to the strong portfolio growth in the deposit business and the high positive net sales in the securities business, customers' financial asset formation in 2020 was more than two thirds (+69.4 percent) above the previous year. Including the building society business attributable to the Savings Banks and the attributable life insurance business, customers accumulated EUR 100.2 billion in additional assets through the Savings Banks, more than ever before. This also applies to private customers, who invested an additional EUR 70.9 billion (+43.7 percent).

100.2
EUR billion
ACQUISITION OF FINANCIAL ASSETS BY CUSTOMERS

Acquisition of financial assets by Savings Bank customers[1]

	2020 EUR billion	2019 EUR billion	Changes in EUR billion	Changes in %
Acquisition of financial assets by customers[2]	**100.2**	59.1	+41.0	+69.4
Acquisition of financial assets by private individuals	**70.9**	49.4	+21.5	+43.7

[1] From deposit business and customer securities business, including brokered building society deposits and brokered life insurance.
[2] Private customers, corporate customers, domestic public authorities, non-profit organisations, foreign customers.

16.42%

CORE CAPITAL RATIO OF THE SAVINGS BANKS

Equity

At the end of the 2020 financial year, the Savings Banks reported regulatory capital of EUR 132.8 billion. This means that it was increased by a further EUR 4.9 billion in the course of the year, and this exclusively in the form of (hard) core capital. At the end of 2020, the total capital ratio was 17.55 percent; the core capital ratio was 16.42 percent and, after deducting hybrid core capital components, the hard core capital ratio was 16.40 percent. Despite the increase in risk-weighted assets, the ratios are above the values for 2019. The regulatory requirements are therefore still clearly exceeded.

The Savings Banks' comfortable equity base underlines their financial independence and their ability to adapt to stricter regulatory requirements.

Banking supervisory ratios of the Savings Banks in accordance with CRR

	2020 in %	2019 in %	Changes in %
Core capital ratio	**16.42**	16.00	+0.42
Common equity ratio	**16.40**	15.97	+0.43
Total capital ratio	**17.55**	17.25	+0.30

Business development of the Landesbanken

In the 2020 financial year, the business development of the Landesbanken was characterised by a slight decrease in total assets. In the two previous years, it was increased, until 2017 it was reduced more strongly: In the course of the strategic measures adopted in the financial market crisis to redimension and realign the Landesbanken, total assets were reduced by more than EUR 702 billion or around 45 percent in the period from the end of 2008 to the end of 2017. The Landesbanken also actied very cautiously in Corona year 2020 and kept their customer business stable or selectively reduced lending business.

Institutions[1] recorded a reduction in the balance sheet total of around EUR 5.0 billion or 0.6 percent to EUR 894.6 billion in 2020. In the previous year, the balance sheet total increased even more (EUR +35.6 billion or +4.1 percent).[2] Thus, the Landesbanken as a whole did not continue the trend of expanding on-balance-sheet business, at least in 2020. This restrained development was mainly due to declines in customer lending business, as well as in bonds and other fixed-income securities.

[1] This chapter refers to the five Landesbank groups, Landesbank Berlin / Berliner Sparkasse, DekaBank and Hamburg Commercial Bank (former HSH Nordbank), which is part of the institution protection scheme.
[2] The increase in total assets and the expansion of certain lending and deposit items (e.g. loans to public budgets and deposits from public budgets) was boosted by a special effect: in 2019, a Landesbank took over a Pfandbrief bank with a focus on municipal financing.

In addition, the Landesbanken reduced their liabilities to customers and securitised liabilities (primarily the debt securities issued) in 2020.

Lending business

On the assets side of interbank business, the Landesbanken recorded an inflow of EUR 5.1 billion or 2.6 percent to EUR 201.3 billion in loans and advances to banks in 2020 (previous year: +3.2 percent). This is mainly due to the increase in claims on domestic banks (excluding Savings Banks), which were built up by EUR 17.7 billion to EUR 65.5 billion. The Landesbanken's claims on Savings Banks grew by EUR 1.8 billion to EUR 61.4 billion. However, the Landesbanken recorded a decrease of EUR 14.5 billion to EUR 74.5 billion in loans and advances to foreign banks.

In customer lending business, the Landesbanken showed a declining development in the past financial year compared to the previous year. Loans and advances to non-banks were reduced by a total of EUR 15.4 billion or 3.7 percent to EUR 397.9 billion (previous year: +3.3 percent).

397.9

EUR billion euros

CUSTOMER LOANS OF THE LANDESBANKEN

This is mainly due to a decline in claims on domestic and foreign companies. These fell by EUR 12.8 billion or 4.3 percent to EUR 288.3 billion (previous year: + EUR 4.8 billion or +1.6 percent). The focus was on domestic corporate business: loans and advances to domestic companies declined by EUR 9.3 billion or –5.0 percent to EUR 177.9 billion. Loans and advances to foreign companies fell by EUR 3.5 billion or –3.1 percent to EUR 110.4 billion.

Claims on domestic and foreign public authorities decreased in the year under review by EUR 2.1 billion or 2.6 percent to EUR 79.4 billion (previous year: + EUR 8.5 billion or +11.6 percent).

Loans and advances to domestic private individuals (including non-profit organisations) remained slightly below the previous year's value at EUR 30.2 billion (–1.4 percent).

Securities business

The Landesbanken significantly reduced their own securities investments in 2020. The total portfolio decreased by 25.0 percent to EUR 96.6 billion (previous year: –0.5 percent). The highest outflow in volume can be found in the investments in the securities category bank bonds. The holdings here fell by EUR 19.0 billion or 27.6 percent to EUR 49.7 billion. The portfolio of corporate bonds fell by 27.6 percent to EUR 13.6 billion. As in the previous year, the securities holdings invested in non-fixed-income securities (shares, investment certificates) decreased, falling by 53.0 percent in 2020 to EUR 4.3 billion.

The holdings invested in "public-sector bonds" remained largely stable at EUR 27.1 billion. Money market papers continue to play only a minor role with a portfolio of EUR 2.0 billion at the end of 2020.

At the end of 2020, the main focus of the Landesbanken's securities account A was on bank bonds with a structural share of 51.4 percent, followed by public-sector bonds and debt securities with 28.0 percent and corporate bonds with 14.1 percent. The securities portfolios invested in non-fixed-interest securities are of minor importance with a structural share of 4.4 percent and money market securities at 2.0 percent.

278.2
EUR billion
CUSTOMER DEPOSITS OF THE LANDESBANKEN

Refinancing

In terms of customer deposits, the Landesbanken recorded a portfolio outflow of 4.5 percent to EUR 278.2 billion in 2020. In 2019, customer deposits had still increased by 5.1 percent. The reduction in 2020 was primarily due to the development of liabilities to domestic public budgets, which were reduced significantly by EUR 21.7 billion or 38.3 percent to EUR 35.1 billion.

An increase was recorded in liabilities to domestic companies, which rose by 4.9 percent to EUR 159.9 billion, liabilities to foreign companies fell by 8.9 percent to EUR 23.6 billion. A further differentiated view in the domestic enterprise sector shows that the stock gain in the reporting year is largely due to the development in the real economy enterprise sector. This was increased by 17.7 percent to EUR 62.0 billion.

Liabilities to financial institutions increased by 5.5 percent to EUR 35.7 billion. The Landesbanken, however, recorded a decrease of 5.7 percent in liabilities to insurance companies to EUR 62.2 billion.

Deposits from domestic private individuals (including non-profit organisations) grew by 6.8 percent to EUR 59.1 billion.

The Landesbanken continued to expand their interbank liabilities in 2020. They rose by 16.4 percent to EUR 270.4 billion (previous year: –5.4 percent). In the past year, liabilities to Savings Banks increased by 17.6 percent to EUR 31.2 billion, liabilities to domestic credit institutions (excluding Savings Banks) by 41.3 percent to EUR 200.1 billion. The expansion of the "Targeted Longer-Term Refinancing Transactions III" is primarily responsible for this increase. Liabilities to foreign banks reached a significantly lower value of 39.1 percent at EUR 39.0 billion (previous year –4.9 percent).

In contrast to the previous year, the Landesbanken's portfolio of securitised liabilities decreased in 2020. The portfolio decreased by 11.2 percent to EUR 175.6 billion. In the previous years, the Landesbanken had recorded significant declines in this form of refinancing.

Equity

The balance sheet equity of the Landesbanken decreased slightly in 2020 by 1.2 percent from EUR 49.2 billion to EUR 48.6 billion. The majority of the institutions were able to strengthen this balance sheet item.

16.6%
CORE CAPITAL RATIO OF THE LANDESBANKEN

The regulatory core capital of the Landesbanken determined on the basis of the CRR / CRD IV increased by 1.9 percent to EUR 47.6 billion at the end of 2020 (end of 2019: EUR 46.7 billion). The total risk contribution (counterparty risks, market risk positions and other risks) was reduced by 0.5 percent to EUR 286.7 billion (end of 2019: EUR 288.1 billion). As a result of these two developments, the core capital ratio according to CRR / CRD IV of the Landesbank Group increased by 0.4 percentage points and amounted to 16.6 percent at the end of 2020 (end of 2019: 16.2 percent).

Banking supervisory ratios of the Landesbanken according to CRR

	2020 in %	2019 in %	Change in %
Core capital ratio	**16.61**	16.22	0.39
Common equity ratio	**15.80**	15.19	0.60
Total capital ratio	**21.21**	21.04	0.16

The greatest burdens from the financial crisis have been alleviated. Risk assets have been reduced in a targeted manner, and capital ratios have been further expanded. Only two institutions are still dealing with the consequences of the shipping crisis. Nevertheless, the Landesbank Group can look back on a solid core capital base.

The Landesbanken are constantly working on the further development of their business models. Due to the special effects of the Corona crisis, there is still the challenge of expanding business with large and medium-sized companies in a risk-appropriate manner.

Selected balance sheet items of the Landesbanken (including DekaBank)*

	As at year-end 2020 EUR billion	As at year-end 2019 EUR billion	Change in %
Loans and advances to banks (MFIs[1])	**199.0**	195.2	+1.9
Loans and advances to non-banks (non-MFIs)	**397.9**	413.3	–3.7
Liabilities to banks (MFIs)	**270.4**	232.3	+16.4
Liabilities to non-banks (non-MFIs)	**278.2**	291.2	–4.5
Balance sheet total	**894.6**	899.6	–0.6

*Including Hamburg Commercial Bank (former HSH Nordbank), which remains in the institution protection scheme.
[1] Monetary Financial Institutions.

Profitability[1]
In contrast to previous years, the Landesbanken were able to generate a 24.6 percent higher operating result in the 2020 reporting year. This strong increase in 2020 can be attributed to the following developments: The growth in net interest income by EUR 0.5 billion (to a level of EUR 6.9 billion) contrasts only with a decline in net commission income by EUR 0.1 billion (to EUR 1.5 billion). In the former, the Landesbanken benefited from lower interest expenses. At EUR 0.4 billion, the net result from financial transactions was only marginally lower than in the previous year.

A high relief effect came from administrative expenses, which decreased compared to the previous year and reached a level of EUR 6.9 billion in 2020 (previous year: EUR 7.1 billion). This is mainly due to lower operating expenses.

Overall, the Landesbanken achieved an operating result before valuation of EUR 2.1 billion in 2020 (previous year: EUR 1.7 billion). The cost-income ratio[2] of the Landesbanken improved to 76.8 percent (previous year: 81.0 percent) due to the outlined earnings development.

For several years in a row, the Landesbanken have made higher risk provisions for lending business. Naturally, the valuation expense was higher in 2020 due to the Corona pandemic: Although it rose to EUR 1.0 billion (2019: EUR 0.3 billion), it reduced the annual result of the Landesbank Group, but far less than in the years prior to 2019. The high burden in previous years was mainly due to the adjustment of loan portfolios as a result of the financial crisis. The earnings situation of two institutions was particularly affected by the impact of the shipping crisis in recent years.

[1] Source: German Commercial Code, individual financial statements of the Landesbanken (including DekaBank) as well as Hamburg Commercial Bank (former HSH Nordbank), which still remains in the institution protection scheme.
[2] Administrative expenses in relation to operating income (sum of net interest income, net commission income, net income from financial transactions and other operating income).

The result of the "extraordinary account"[1] was negative in 2020 – as in the previous year – and reduced the result by EUR 1.0 billion. The negative result from the valuation and financial investment business in the reporting year was approximately as high as the extraordinary result with a net valuation expense of EUR 0.4 billion. The latter mainly includes reorganisation expenses and restructuring provisions for the realignment of some institutions.

The Landesbanken achieved a slightly positive pre-tax result of EUR 0.1 billion in the 2020 financial year. In the previous year, the annual pre-tax result was EUR 0.5 billion. After deducting profit-related taxes, the Landesbanken closed the 2020 financial year with a net loss after taxes of around EUR 0.1 billion. In 2019, the Landesbanken had recorded a net profit after taxes of EUR 0.3 billion.

The results of the 2019 and 2020 financial years were primarily shaped by the high extraordinary charges at one institution due to major restructuring measures. Without its loss, the Landesbank Group would have generated a positive net income after taxes of EUR 0.2 billion (previous year: EUR 0.8 billion) even in the exceptional Corona year of 2020.

Selected items of P&L account[1] of the Landesbanken (including DekaBank)*

	2020[2] billion euros	2019 billion euros	Change in %
Net interest income	**6.895**	6.401	+7.7
Net commission income	**1.429**	1.536	–7.0
Net income from financial transactions	**0.444**	0.462	–4.0
Administrative expenses	**6.876**	7.096	–3.1
Operating result before valuation	**2.076**	1.666	+24.6
Valuation result (excluding equity interests)	**–0.997**	–0.284	> +100
Operating result after valuation	**1.079**	1.383	–21.9
Balance of other and extraordinary income / expenses[1,3]	**–0.951**	–0.927	+2.6
of which: Withdrawals from (+) / allocations to (–) the fund for general banking risks pursuant to Section 340g of the German Commercial Code	**–0.424**	–0.319	+32.9
Net profit before taxes	**0.128**	0.456	–71.8
Profit related taxes	**0.185**	0.177	+4.6
Net profit after taxes	**–0.057**	0.279	–[4]

* Including Hamburg Commercial Bank (former HSH Nordbank), which remains in the protection scheme.
[1] The allocations to the fund for general banking risks in accordance with § 340g of the German Commercial Codeare taken into account here – as in the "original" income statement in accordance with the German Commercial Code – as expenses reducing the annual result; accordingly, withdrawals from this fund are treated as income increasing the annual result.
[2] Preliminary figures from partly not yet audited annual financial statements according to the German Commercial Code, rounding differences possible.
[3] This includes the balance from profits from the sale of financial investments and securities held as fixed assets, write-downs on / write-ups to financial investments and securities held as fixed assets as well as changes in the fund for general banking risks in accordance with Section 340g of the German Commercial Code (allocations to the fund for general banking risks with a negative sign, withdrawals from this fund with a positive sign).
[4] Calculation not meaningful.

[1] Balance of other and extraordinary income / expenses. In contrast to the income statement statistics of the Deutsche Bundesbank, the allocations to and withdrawals from the fund for general banking risks pursuant to § 340g of the German Commercial Code are also included in the "extraordinary result".

Business performance of the Landesbausparkassen
The group of eight Landesbausparkassen again achieved good results in the 2020 financial year. The construction financing business benefited from the continuing high demand for loans for both new construction and the acquisition of existing properties, which often goes hand in hand with renovation and modernisation investments. Overall, home loan and savings funds in the amount of EUR 9.2 billion flowed into the housing market; this represents an increase of 10.7 percent compared to the previous year. Thus the Landesbausparkassen were again important providers of capital for financing private housing projects in the past financial year. The portfolio of building loans climbed by 5.5 percent to EUR 32.1 billion.

The number of new savings-only contracts took a dip due to several weeks of branch closures and contact restrictions as part of the lockdown: The building savings sum of newly concluded contracts reached a volume of EUR 27.5 billion; this represents a decline of 16.4 percent compared to the previous year. The average building savings sum remained high at EUR 55,000 (plus 0.3 percent), reflecting the ongoing development of the business towards financing-oriented customers who realise that the significant increase in real estate prices also increases the need for equity capital.

The Bausparkassen of the Savings Banks are the undisputed market leaders in the home loan and savings business in Germany. Their market share is 33.6 percent in terms of the number of new contracts concluded in 2020 and 35.5 percent in terms of the building savings sum. In terms of existing contracts, LBS has a market share of 35.5 percent (number of contracts) and 33.4 percent (total home loan savings). In residential Riester business, LBS's market share is 45.3 percent, which corresponds to around 809,000 contracts for a home loan and savings sum of EUR 36.2 billion (–1.3 percent).

At the end of 2020, the eight Landesbausparkassen held a total of 8.9 million home loan and savings contracts (–4.6 percent) with a volume of EUR 306.6 billion (–0.1 percent) for their 8 million customers.

The Landesbausparkassen have 530 advisory centres and employ 6,791 office and field staff. At EUR 74.5 billion (+1.5 percent), the cumulative balance sheet total of the LBS Group reached a new high at the end of 2020.

Business performance of the Landesbausparkassen

	2020	2019	Change in %
New contracts			
Number (millions)	**0.50**	0.60	–16.6
Building savings sum (EUR billion)	**27.5**	32.9	–16.4
Contract portfolio			
Number (million)	**8.90**	9.33	–4.6
Building savings sum (EUR billion)	**306.6**	306.9	–0.1
Cash inflow (EUR billion)			
Total	**11.0**	11.3	–2.1
of which savings contributions	8.4	8.6	–1.9
New capital commitments (EUR billion)	**12.2**	10.8	+13.0
Capital disbursements (EUR billion)	**9.2**	8.3	+10.7
Total assets (EUR billion)	**74.5**	73.3	+1.5
Net income after taxes (EUR million)	**29.6**	26.5	+13.6
Employees (including field force)			
Total	**6,791**	6,958	–2.4
of which apprentices	154	151	+2.0
	2020 in %	2019 in %	Change in %
Market shares (number of contracts)			
New contracts concluded	**33.6**	34.7	–1.1
Contract portfolio	**35.5**	35.6	–0.1

Responsibility and social commitment

In addition to the enormous challenges posed to human resources management by the Corona pandemic, the entire year 2020 was characterised by staff restructuring, branch closures and mergers in the banking and finance sector. A consolidation process that also established the framework for 2021 and, despite all the difficulties, was mastered excellently by the employees of the institutions of the Savings Banks Finance Group.

Employees as a success factor

Our employees are and will remain our most important link to our customers. As brand ambassadors, they represent the special philosophy of the Savings Banks Finance Group throughout Germany: “Understanding people, providing security and looking to the future”. However, these values not only influence our dealings with customers, but also have an internal impact. Despite the slight decline in the number of employees, the Savings Banks Finance Group is one of the most important employers and training providers in the Federal Republic of Germany with 281,200 employees. 200,670 people worked for a Savings Bank in 2020. Increasingly, the focus is also on the question of how new fields of business and income can be developed while at the same time adjusting the workforce or, in other words, “targeted investment in personnel with consistent management of personnel costs”.

The Savings Banks Finance Group as an attractive employer

The Savings Banks Finance Group is an attractive employer for junior staff and experienced professionals alike. Employer attractiveness is the highest priority for us in terms of personnel strategy. We focus on people, because our employees make us what we are. Apprentices represent the next generation for our group. Our strong image as an employer has a positive effect on the recruitment of junior staff. With the technical optimisation of the Savings Banks Finance Group’s career portal for mobile use by smartphones, the expectations of the young target group are met. The further development of our career portal in terms of content and technology is our daily incentive to attract young talent as an attractive employer with future-oriented and rewarding jobs.

Starting during vocational training, it is important to the institutions of our Group to offer young trainees security and perspective but also interesting and flexible fields of work. There is an impressive range of initiatives in our training companies to promote and use our trainees’ personal responsibility and inventiveness: From self-managed introductory weeks and community service projects to editorial teams for social media and branches run by apprentices. These apprentice branches create an environment in which the fresh ideas of the young talent are introduced and immediately put into practice. In this way, the junior staff experience genuine recognition of their ideas, experience appreciation and can feel that they have really “arrived” in the company.

Changing customer behaviour and the ongoing digitalisation require a completely new market approach. Sales channels with new roles and tasks are emerging, and processes, personnel structure and management are being adapted. With these challenges in mind, we have also placed the focus in 2020 on “strengthening our attractiveness as an employer, expanding digital skills and ensuring the quality of our staff”.

A good work-life balance for our employees is essential to the institutions of the Savings Banks Finance Group. With this in mind, we offer flexible models in terms of the place and time of work, career development and a wide range of support measures.

Excellent vocational training and further education opportunities

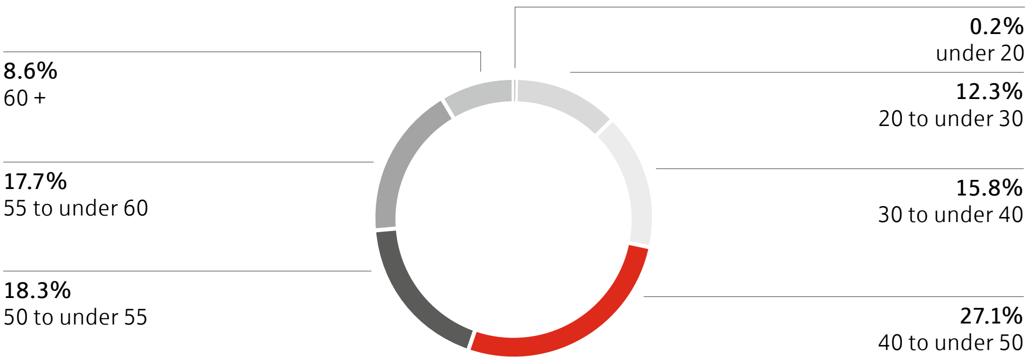
In 2020, 4,977 young people started their vocational training at a Savings Bank, Landesbank or Landesbausparkasse. This is a decrease of 5.7 percent compared to the previous year due to the impact of the Corona crisis on the recruitment process. With 15,875 trainees, we remain the largest trainer in the German banking industry and one of the largest trainers nationwide. The broad commitment to training is part of the Savings Banks Finance Group's social responsibility. We train with the future in mind. This pays off: Savings Banks trainees regularly pass their Chamber of Industry and Commerce examinations at the top of their class and receive prestigious awards in their region as well as at state and national level. The take-up rate in 2020 was 79.6 percent.

Dual vocational training, in which practical learning in the training company is complemented by instruction in vocational school, is typical for the majority of apprenticeships. Most trainees are aiming for a qualification as a banker. In 2019, experts from both the employer and employee sides drew up new training regulations for the occupational profile of a banker. The interests of the Savings Banks were implemented to a large extent by their representatives in the Council of Economic Experts. We in the Savings Banks Finance Group have taken the changed requirements for working in a Savings Bank and the new regulations as an opportunity to develop modular solutions – concepts, instruments and digital tools – for modernising training in the nationwide project "Bankausbildung 2020" (Bank Training 2020).

School leavers are also looking for dual study courses as a combination of vocational training and university studies. For this purpose, the institutions have access to a diverse range of state and private universities of applied sciences. Within the Savings Banks Finance Group, the University for Finance & Management offers a dual study programme. This offer is in line with the increasing demand for highly qualified specialists and managers, as is also evident from our "Sales Strategy of the Future".

A look at the changing age structure shows how essential the issues of maintaining job satisfaction and succession planning will be in the future. Differentiated qualification offers for all groups of the workforce are therefore crucial. It is the aim of the educational service providers in the Savings Banks Finance Group to develop these measures together and to offer targeted training programmes.

Savings Banks employees: Age structure[1]
As at: 31.12.2020



[1] Active banking employees (headcount).

Increasing the proportion of women in leadership positions remains a key development goal for the entire Group. The measures implemented nationwide to date were supplemented in 2020 by scholarship programmes for women in management positions. Overall, we have intensified the discussion within the Savings Banks Finance Group and have been able to achieve a slight increase both in the share of female managers (27.4 percent) and the share of women on management boards to 5.9 percent in 2020.

Managing the transformation processes remains the focus of human resources development

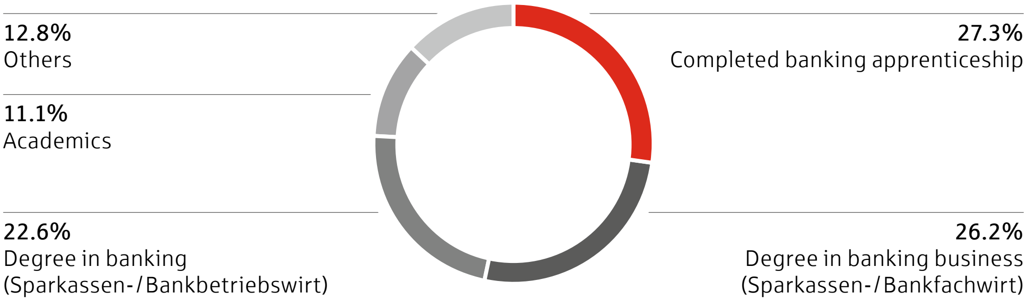
Coping with the transformation processes triggered by the change in values and culture, demographic development and digitalisation is a top priority for the institutions of the Savings Banks Finance Group. To overcome the Corona crisis, our institutions have demonstrated their flexibility impressively. The changeover to mobile and digital working took place in a remarkably short time.

Overall, the transformation of the world of work increases the need for continuing vocational education and training. There is a need for new formats for continuing education and an alignment of further vocational education and training with the newly emerging framework conditions.

A key factor in the success of the Savings Banks Finance Group is its internal training system. The Savings Banks Finance Group offers its employees high-quality and attractive career prospects, from career entry to management positions or demanding specialist tasks. The Group-wide education structure with nine regional academies as well as the Savings Banks Finance Group's University of Applied Sciences for Finance & Management in Bonn comprehensively supports these development opportunities and imparts both the required specialist knowledge and the necessary skills and competences for each career stage.

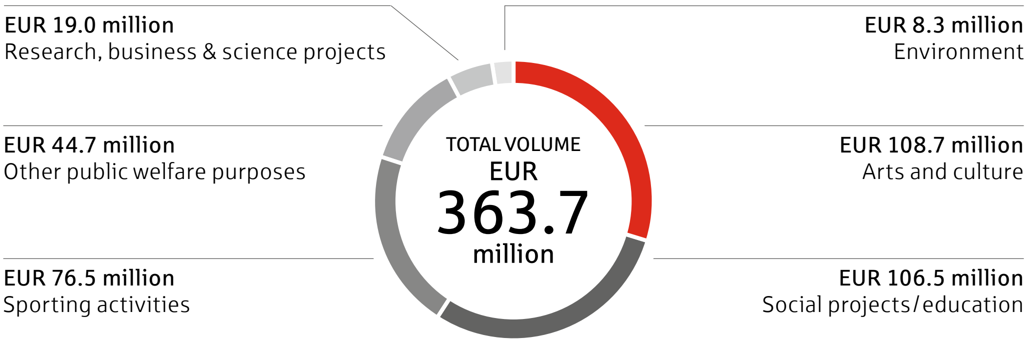
Our business model focuses on holistic customer advice with the goal of achieving a high level of customer satisfaction and sustainable customer relationships. We offer customers all paths to the advisor - be it in the branch, online or mobile. Due to changing customer needs, there is a clear shift towards online contact. Maintaining all forms of human proximity that distinguishes us from our competitors is vital, despite the necessary changes to the branch structure. To ensure this, we are continuing the special focus on the qualification of employees for cross-channel customer service. The academies' qualification programmes meet this need to adapt and systematically develop employees' skills. This has resulted in educational formats that can be conducted not only as seminars in the academies, but also online or as in-house seminars directly in the institutions. Within the framework of the project "Digital Agenda 2.0", the educational courses offered by the academies were presented in a transparent and systematised way for the Savings Banks nationwide.

Savings Banks employees: Qualification structure [1]
As at: 31.12.2020



[1] Active banking employees (headcount).

Social commitment of the Savings Banks Finance Group
As at: 31.12.2020



Broad-based commitment to society strengthens public welfare
Savings Banks, Savings Banks Foundations, Landesbanken and S-Group partners shape local social interaction in a variety of ways. In 2020, the Savings Banks Finance Group invested almost EUR 364 million in public welfare projects (previous year: EUR 432 million).

The consequences of the Corona pandemic have also affected the social commitment of the Savings Banks Finance Group. Due to the cancellation of numerous events and funding projects in the particularly hard-hit areas of culture and sport, the funding amounts in these areas have also decreased. However, on the basis of a common philosophy of the Savings Banks institutions with the aim of supporting their funding partners even in this crisis situation, it was possible in many cases to find solutions for support even during the pandemic. For example, emergency aid funds were set up for cultural workers or programmes were supported to provide sports clubs with equipment for digital sports activities.

Art and culture
The promotion of art and culture is an integral core element, firmly anchored in the social commitment of the Savings Banks Finance Group. In 2020, the Savings Banks Finance Group supported art and culture with a total of EUR 108.7 million (previous year: EUR 133.6 million). Projects were supported nationwide and long-standing cooperations were continued, such as the commitment as the main sponsor of the Dresden State Art Collections and the Berlin State Museums.

Social commitment
The Savings Banks are involved in a large number of projects for children, young people and senior citizens. Their support services are provided to society at large and include social advice centres, neighbourhood homes and integration projects for immigrants. Social commitment is the second-largest area of support provided by the Savings Banks Finance Group, with contributions of EUR 106.5 million in 2020 (previous year: EUR 114.2 million).

Sport
The Savings Banks Finance Group promotes all areas of sport. The majorority of the support benefits clubs in all regions of Germany. One example of this is the commitment to the German Sports Badge. In addition, top-class, junior and disabled sports, such as the German Olympic Team, Team Germany Paralympics and the elite sport schools also receive support.

In 2020, sports and members of sports clubs received EUR 76.5 million in support (2019: EUR 90.7 million). 37 foundations of the Savings Banks Finance Group exclusively or primarily promote sport.

Environment

Savings Banks also take responsibility in the area of the environment. They are committed to environmental and climate protection in their business areas in a variety of ways. A large number of local environmental organisations can count on the support of the Savings Banks. The support programme also includes selected ecological projects at schools. The funds spent on these projects amounted to around EUR 8.3 million in 2020 (previous year: EUR 12.5 million).

Education

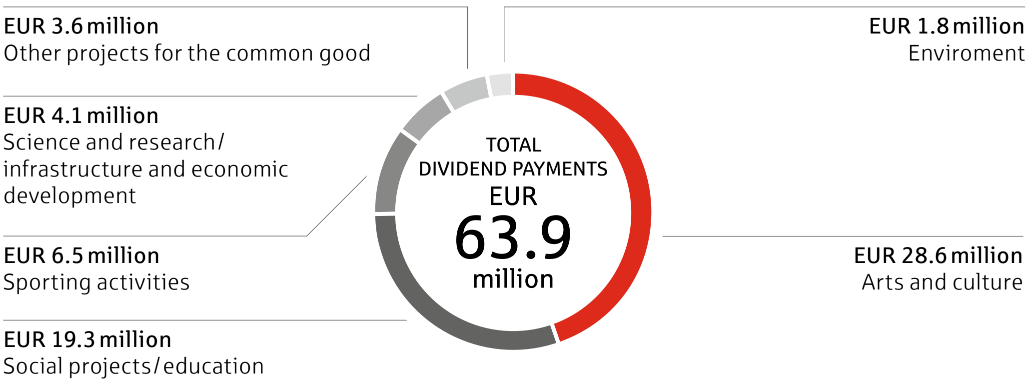
Promoting education and integration is a central element of the Savings Banks Finance Group's commitment to sustainable social development. In 2020, EUR 19.0 million (previous year: EUR 22.9 million) was invested in research, business and science promotion projects. Throughout Germany, Savings Banks are committed to ensuring that all sections of the population benefit from social life and can develop personally in their environment. They invest in financial education from an early age and offer, for example, teaching materials on economic and financial topics through the "SparkassenSchulService" (Savings Banks School Service) (see pages 24–27). In the non-school sector, the Savings Banks Finance Group's "Geld und Haushalt" (Money and Budgeting) advisory service supports all consumers with free products to strengthen financial literacy and prevent debt (see pages. 28–29).

Foundations

The charitable foundations of the Savings Banks Finance Group continue the funding and donation commitment of the Savings Banks, Landesbanken and other institutions of the Savings Banks Finance Group in a particularly sustainable form. Their number in 2020 was 769 foundations (previous year: 754). The foundations of the Savings Banks Finance Group contribute to regional development and support local civic engagement. At the end of 2020, they had a total capital of EUR 2.72 billion (previous year: EUR 2.74 billion). Last year, the Savings Banks Foundations accounted for 17.6 percent of the Savings Banks Finance Group's total commitment with distributions of EUR 63.9 million (previous year: EUR 74.2 million).

The Savings Banks Finance Group reports on its social commitment regularly at:
dsgv.de/unsere-verantwortung

Disbursement in EUR million
As at: 31.12.2020



Deutsche Sparkassenstiftung für internationale Kooperation e. V.
German Savings Banks Foundation for International Cooperation

Deutsche Sparkassenstiftung actively supports financial institutions that promote sustainable economic and social development at local, regional or national level through needs-based banking. Its aim is to enhance the professionalism of its partner institutions so that they can offer their customers ongoing access to financial services. Small and medium-sized enterprises (SMEs) in particular, but also the poor and marginalised social communities are the target groups of Deutsche Sparkassenstiftung's partner institutions.

By strengthening local and regional financial structures, Deutsche Sparkassenstiftung not only creates development alternatives for broad sections of the population and local enterprises, but ultimately also helps to generate jobs and income. In doing so, it also helps to promote financial education and support training and human resources development in its worldwide projects (e.g. the introduction of dual training systems in the microfinance sector in Latin America).

This is in line with the approach and objectives of the German Savings Banks; it has a stabilising effect on the respective financial sector and thus on a country's economic development. The more than 200-year history of the Savings Banks in Germany shows that sustainable microfinance is only possible with efficient organisation and professionalism - these are the key success factors that Deutsche Sparkassenstiftung passes on to its partners through its projects.

Business games as a success factor for financial education

Deutsche Sparkassenstiftung's Business Games are an important success factor for financial education worldwide. Deutsche Sparkassenstiftung's programme comprises four Business Games, including three haptic and one computer-based Business Game. All Business Games can be conducted virtually or on site in the project countries. Since 2019 alone, more than 1,600 events have been held with the Business Games, reaching not only small and micro entrepreneurs and schoolchildren, but also farmers and a great many more people in more than 40 countries. 87,000 participants worldwide have taken part in the Business Games to date - and the trend is upwards.

↘ Sparkassenstiftung.de

around 200
Number of other experts on assignment abroad

40
Staff in the Bonn office

Project volume 2020
32.1
million euros

340
Employees worldwide

54
Project countries

1 goal
Sustainable development through financial inclusion

Risk report

The year 2020 was also defined by the Corona crisis in terms of regulation. Politicians and banking supervisors reacted promptly. For example, the implementation of Basel III was postponed by one year to 1 January 2023, the application of the SME factor extended by CRR II was brought forward by one year, the countercyclical capital buffer was reduced again to 0.00 percent and targeted adjustments were made in the formation of balance sheet risk provisions. This strengthened the capital ratios of the banks and Savings Banks during the crisis and enabled them to provide the real economy with the financing it needed.

Market situation and regulatory environment

The institutions of the Savings Banks Finance Group have performed well despite the Corona crisis, increasing competition, persistently low and negative interest rates.

Regulatory environment

Due to the effects of the crisis, the EU launched the package known as the “CRR II quick-fix” in the summer of 2020 in a very lean process with relief and flexibilisation for banks and Savings Banks, including bringing forward the extended SME factor (see above). Despite Corona, however, numerous regulatory initiatives were also advanced in 2020.

The 6th amendment of the Minimum Requirements for Risk Management (MaRisk) is of particular note. Among other things, it will implement the EBA guidelines on the management of non-performing and deferred risk positions (EBA/GL/2018/06) as well as the EBA guidelines on outsourcing (EBA/GL/2019/02). BaFin has announced the publication of the final MaRisk for Q3 2021.

At EU level, preparations are underway to implement the finalisation of Basel III (published in December 2017). However, due to the Corona crisis, the work has been delayed. The draft CRD VI/CRR III package is not expected until Q3 2021. The financial industry expects the EU Commission to carefully analyse the quantitative impact of Basel III in the EU beforehand. However, this will only be possible once the effects of the crisis are fully visible. Accordingly, the financial industry proposes postponing the implementation of Basel III for another year. The Savings Banks Finance Group pools the operational implementation of the persistently high number of new regulatory requirements centrally at Sparkassen Rating und Risikosysteme GmbH (SR).

Risk management of the institutions of the Savings Banks Finance Group

The identification, control and management of general banking risks is one of the core tasks of a credit institution. The main risks of credit institutions include:

→ Counterparty risks

→ Market price risks

→ Liquidity risks

→ Operational risks

The institutions of the Savings Banks Finance Group manage the income and risks associated with their business activities in a professional and future-oriented manner. Changes in the market environment and new regulatory requirements necessitate further development of methods, models and instruments for risk management.

The DSGV, SR and the regional Savings Banks associations are constantly developing, maintaining and improving the instruments and methods in close cooperation with the institutions. This has numerous advantages, including

- → creating practice-oriented and uniform standards throughout the Savings Banks Finance Group,
- → establishing a broad database through nationwide data pooling based on these standards,
- → relieving the burden on individual institutions and avoiding duplication of work,
- → pooling of the entire know-how of the Savings Banks Finance Group.

Irrespective of the development of uniform procedures across the entire Savings Banks Finance Group, decisions on transactions and the associated risks, such as customer product design or own investment policy, remains with each individual institution. This also applies to the definition of the individual risk profile at overall institution level and the use of risk quantification procedures.

Categories of general banking risks

Counterparty default risks	– Risk of a negative deviation from the expected value of a balance sheet or off-balance sheet position caused by a deterioration in creditworthiness, including the default of a debtor. The counterparty risk is divided into the default risk and the migration risk of a debtor. Debtors in customer business within the meaning of this definition are borrowers, i.e. traditional private, commercial and corporate customers, credit institutions (interbank), federal states and the public sector. Debtors in proprietary business are any counterparties or issuers.
Market price risks	– Risk of a negative deviation from the expected value or the current market value of a balance sheet or off-balance sheet position resulting from changes in risk factors (interest rates, spreads, currencies, equities, commodities, real estate, volatility and option risk).
Liquidity risks	– Liquidity risk is generally composed of insolvency risk and refinancing cost risk. The liquidity risk also includes the market liquidity risk in both components defined below. This is the risk that, due to market disruptions or inadequate market depth, financial securities cannot be traded on the financial markets at a specific time and/or at fair prices. – Insolvency risk: Risk of not being able to meet due payment obligations in full or on time. – Refinancing cost risk: Risk of a decline in the market value of a bank resulting from a change in refinancing conditions.
Operational risks	– Risk of damage occurring as a result of the inadequacy or failure of internal procedures, employees, internal infrastructure or as a result of external influences, including legal risks.
Other risks	– Depending on the individual business model, Savings Banks may be subject to further risks, such as cost risk. The cost risk is the danger that the realised costs exceed the planned costs. It can materialise, for example, through a collective agreement that deviates from expectations.

Jointly developed procedures are used by individual institutions to measure risks, to aggregate them in the risk-bearing capacity, to manage the portfolio and for capital allocation to optimise their risk/return ratio. Due to the large number of individual decisions, the Savings Banks Finance Group as a whole remains very well diversified.

Risk management methods are optimised on an on-going basis within the Savings Banks Finance Group.

Ensuring risk-bearing capacity
For many years, the institutions of the Savings Banks Finance Group have used procedures and IT instruments in risk management to determine capital and assets on the one hand and risk on the other. The combination and thus comparison is carried out within the framework of the risk-bearing capacity. Here, centrally developed concepts are available to the institutions that combine the various procedures and methods and embed them in a risk limitation at the level of the entire institution as well as the individual risk types.

Savings Banks generally pursue a going-concern approach[1], which complies with the previous national requirements for risk-bearing capacity. For Landesbanken, however, the ECB guideline on ICAAP applies as the basis for their own risk-bearing capacity concepts. The management methods anchored in the risk-bearing capacity concepts of Savings Banks and Landesbanken aim to ensure both the long-term continuation of the individual institutions and the protection of creditors.

The S-KARISMA/S-RTF software, which was jointly developed in the Savings Banks Finance Group, supports the institutions on the IT side from data bundling in risk management to scenario calculations and regulatory reporting for risk-bearing capacity. The individual risk values and hence the capital and asset requirements resulting from the business structure of the individual Savings Bank flow into this. Since mid-2016, SR has taken over the support and further development of the S-RTF software.

In the risk-bearing capacity calculations of the institutions, the risks are compared with the capital figures or the risk coverage potential in order to ensure coverage at all times. The limitation of the institution-specific overall risk and the individual risk types below it is carried out by means of a limit, which ensures a timely reaction. Not all of the risk coverage potential is used, which means that reserves are kept for potential additional burdens.

The institutions of the Savings Banks Finance Group carry out capital planning processes in order to recognise the development of the capital figures or the risk coverage potential and the future scope at an early stage. Should measures in the area of capitalisation and in the development of results be necessary, these can thus be initiated at an early stage. Here, S-KARISMA/S-RTF is also used in Savings Banks as a close link is required between risk-bearing capacity and result planning.

The results planned for the next few years and their retention will allow the Savings Banks and Landesbanken to successively expand their risk coverage potential. This will enable ongoing growth of the lending business, which increases the minimum capital requirement. Potential burdens from the Corona crisis can thus also be taken into account at an early stage in the planned earnings, capital and risk planning and adequate measures can be prepared if necessary. In order to ensure the supply of credit to the economy in this environment, the supervisory authorities have granted relief in terms of future capital requirements and expectations.

[1] Continuation approach.

However, the supervisory authority has excluded risk-bearing capacity from its relief. The aim here is that all potential effects of the Covid 19 crisis are bundled at this point. This also includes measures if necessary.

The national supervisory authority published revised regulations on risk-bearing capacity on 24 May 2018. Although the existing risk-bearing capacity concepts can continue to be used for the time being, the necessary measures have been initiated in the Savings Banks Finance Group to efficiently implement the new regulations (normative and economic perspective) in all institutions. Currently, the technical/methodological as well as system-related foundations are being laid for the conversion of all Savings Banks to the new risk-bearing capacity methodology. The methodological changeover will be accompanied by the introduction of new and adapted systems for risk measurement / management, both for the individual risk types and the RBC as a whole. Furthermore, a central data pool will be established with the integrated data budget (IDH), which will advance the automation of bank management and facilitate both internal and regulatory analyses.

While individual large Savings Banks have already converted to the new risk-bearing capacity methodology, the conversion of medium-sized and small Savings Banks is planned for 2022/2023.

Since 2016, the German supervisory authority has regularly defined new capital requirements and expectations for individual institutions through the so-called SREP surcharges (SREP = Supervisory Review and Evaluation Process) and the capital target ratio, which are to be taken into account in the ongoing capital adequacy as well as in the risk-bearing capacity and capital planning.

With the SREP surcharges, the supervisory authority intends that such risks are backed with own funds that are identified in the risk-bearing capacity and backed with capital, but are not taken into account in the own funds requirements of Basel Pillar 1.

The capital target ratio indicates how much additional capital an institution should hold from a regulatory perspective so that it can meet the SREP total capital requirement at all times, i.e. also in stress phases. For the majority of Savings Banks, this results in no or only low additional capital expectations.

Ensuring solvency

The equity capitalisation of the Savings Banks was also extremely solid in 2020. The Common Equity Tier 1 capital ratio was 16.40 percent as at 31 December 2020, while the total capital ratio reached 17.55 percent.

On average, the Savings Banks clearly exceed the Basel capital requirements of 4.5 percent for the hard core capital and 8 percent for the total capital ratio, which have been in force since 1 January 2014. The capitalisation also covers the capital conservation buffer (2.5 percent), which increases the minimum values for the hard core capital according to Basel III to 7 percent and the total capital ratio to 10.5 percent. Also covered are the SREP surcharges and the own funds target ratio.

The Landesbanken (individual institution level), including DekaBank, have an average Common Equity Tier 1 capital ratio of 15.8 percent at the end of 2020. The total capital ratio is 21.21 percent on average.[1]

[1] The ratios apply to the Landesbank Group including Hamburg Commercial Bank (former HSH Nordbank), which is part of the institution protection scheme.

Management of individual risk types

Increased regulatory requirements for risk reporting make it necessary to establish principles for data management, data quality and the aggregation of risk data.

Together with Finanz Informatik, SR ensures that the regulatory and business requirements are taken into account in the joint data budget of the Savings Banks Finance Group.

Earnings and risk management is always caught between economic market conditions, the regulatory framework and changing customer expectations. This is why it is a particular focus of the Savings Banks in the current interest rate situation. The management of counterparty risk enjoys special attention, as this type of risk has a major influence on the risk-bearing capacity of the institutions and the stability of their results. However, comprehensive procedures for risk measurement and management sustainably secure the lending capacity of the Savings Banks and Landesbanken.

Risk classification tools

For corporate customer business: Savings Banks Standard Rating	– The Savings Banks Standard Rating is used for commercial customers of the Savings Banks. The creditworthiness assessment is carried out in a modular structure, i.e. it is first checked which information on a company is known to the Savings Bank/Landesbank and can be included in the determination of the rating grade. This information is subdivided as follows
	  – Evaluation of the annual financial statement or the income statement
	  – Qualitative rating, i.e. assessing the qualities of the company and the entrepreneur or managing director,
	  – Taking into account existing business relationships with the customer, such as their account behaviour,
	  – Potential downgrades due to warning signals regarding an impending corporate crisis,
	  – Taking into consideration third-party creditworthiness influences (cross-guarantee systems) in the case of an existing "parent-subsidiary relationship".
	– From a released rating, a strength-potential profile of the customer can be automatically generated, which can be used for customer communication.
	– For customers with low exposure, an automated procedure based primarily on account data is available to the institutions for the ongoing credit assessment, as well as a simplified risk classification procedure for applications (customer compact rating).

For commercial real estate investments: Savings Banks Real Estate Business Rating	– The Savings Bank real estate business rating assesses the creditworthiness of real estate customers. Quantitative indicators, such as balance sheets, as well as qualitative factors, such as expected business development, are used for the assessment. As a key risk driver, the property that is to be financed or has already been financed is assessed with the help of property-specific information and ratios. The focus is on checking whether the repayment of the loans from the rental income of the property is likely in the coming years. – In order to ensure the most realistic mapping possible, all available information is weighted accordingly and combined into a rating grade for the client.
For private customer business: Savings Banks Customer Scoring	– The Savings Banks Customer Scoring is the risk classification procedure for private customer business. It enables the customer advisor to objectively assess the creditworthiness of a new customer as well as an existing customer using as much of the available creditworthiness-relevant information as possible when applying for a loan. – With this instrument, the institutions also receive an automated portfolio monitoring of their retail exposures and thus a tool to identify risks can be identified in good time.
For investments in renewables: Project Financing Rating	– The project finance rating is a tailored procedure for financing in renewable energies (wind, photovoltaics, biogas/biomass). The loan commitment is primarily based on the cash flows generated from the operation of the plant. Accordingly, it is not the asset situation of the equity provider (or sponsor) that forms the core of the risk, but the project performance. – Since the project company is to be analysed in its entirety, qualitative factors - such as the expertise of those involved in the project, information on the project environment and the contractual arrangements are also included in the valuation process.

In addition, SR, together with Savings Banks and regional associations, has developed a standardised procedure model for conducting the risk inventory, including central recommendations for the criteria of the materiality assessment of the individual risks. It is validated annually by the SR.

To support the risk management process in the Savings Banks, a risk manual is also available to the institutions to help keep an standardised eye on risks.

Managing counterparty risks
SR develops and maintains the necessary procedures for the efficient and needs-oriented credit risk measurement of the Savings Banks together with representatives from regional associations, Savings Banks, Landesbanken, Landesbausparkassen and Finanz-Informatik on the basis of data from the Savings Banks Finance Group. Accordingly, they are used throughout the Savings Banks Finance Group for the management of default risks.

The central maintenance and further development of the procedures by SR ensure their high quality and uniformity. This ensures data protection-compliant work with the data of the Savings Banks and Landesbanken (data pooling), the annual qualitative and quantitative review (validation) as well as the regular supervisory review of the instruments.

The risk classification procedures, as shown in the table on page 71, relate to corporate lending, real estate and retail business.

Additionally, the institutions of the Savings Banks Finance Group have instruments for assessing creditworthiness for the fair calculation of creditworthiness premiums (risk costs) as well as for risk measurement (value-at-risk calculation) of the total loan portfolio. The calculated "fair" credit rating premium is also used for risk transfer between the institutions or within the framework of so-called credit pooling.

The Savings Banks Finance Group continually strives to increase the efficiency of itscounterparty risk management and hence to generate more accurate forecasts. Because only the balance of accurate risk assessment and the effective use of financial resources ensures fair conditions for customers.

In 2020, more than 340,000 commercial and corporate customers were classified in rating classes. In some cases, the ratings were carried out or updated several times. In total, there are more than 13.7 million commercial ratings in the data pool of the Savings Banks Finance Group. This data pool enables a high degree of reliability for the credit ratings and at the same time ensures the provision of qualified advice to the customer.

The common uniform rating procedures in the Savings Banks Finance Group offer the following advantages:

→ a very broad database,

→ high selectivity of methods,

→ an accurate and fair breakdown of our customers according to their creditworthiness,

→ stable default rates,

→ early and objective risk identification and

→ centralised regulatory approval of the tools used to determine capital adequacy in accordance with the internal ratings-based approach.

All rating and scoring procedures are approved by the supervisory authorities and are regularly audited by the banking supervisory authority.

The models and methods for counterparty risk management of the Savings Banks take into account their heterogeneity in terms of the size of the individual institution as well as in the type, scope and complexity of the counterparty risk portfolio.

Thus, an ideal-typical counterparty risk management can be mapped over a total of five expansion stages.

In the context of the implementation

- the Savings Banks leverage synergies through the efficient use of risk measurement instruments and their integration into the overall bank management,
- The Savings Banks optimise their equity utilisation by flexibly reducing and increasing counterparty risk positions,
- the Savings Banks create more scope for sales by clearly delineating responsibilities between sales, back office and portfolio management,
- the Savings Banks exploit growth opportunities in the lending business (including for new business) through the targeted management of concentration risks and the consistent use of risk management instruments,
- it is easier for the Savings Banks to find competitive conditions through improved risk structures in the loan portfolio.

By efficiently managing their loan portfolio, the Savings Banks are able to continue to grow sustainably in the lending business without overburdening themselves with the associated risk.

The portfolios of the Savings Banks Finance Group were also well positioned in the 2020 financial year. Overall, 57.4 percent of all corporate customers of the Savings Banks and Landesbanken had a rating in the so-called investment grade range (better than BBB-) and thus have a high credit quality. This value remained stable compared to the previous year.

Management of counterparty risk at portfolio level

In the financial year 2020, the Savings Banks in Germany were able to record a further increase of 12.8 percent in lending (total customer loans excluding credit institutions). In order to remain able to act and compete in the lending business in the long term, Savings Banks comprehensively record the risks associated with lending and can manage these in an even more targeted manner by applying the eKRM (efficient credit risk management) management concept. Through active and efficient credit portfolio management, i.e. through the targeted optimisation of the income and risk situation of their credit portfolio, they are able to create competitive advantages for themselves. This ultimately leads to increases in efficiency and results. Especially in the low interest rate environment and after risk costs, the credit market and the customer lending business continue to be more profitable than the capital market business.

Diversification of counterparty risks:
Syndicated customer lending as an example

The classic syndicated loan business has already been used by the Savings Banks for many years. This includes not only loan or risk sharing with the respective Landesbank and association partners, but also increasingly the financing of larger customer loans jointly by several Savings Banks. The form of this cooperation ranges from direct lending to loan sub-participation and indemnification.

Tools for managing counterparty risk

Savings Banks Risk-Adjusted Pricing	– The risk-adjusted pricing procedure enables a credit institution to determine credit premiums on the basis of individual credit exposures and collateral provided. This avoids equal treatment of low and high risks. The creditworthiness premiums are included in determining fair lending conditions and serve to cover expected losses from the lending business.
Savings Banks CreditPortfolioView	– CreditPortfolioView enables the Savings Banks and Landesbanken to identify, measure and provide an up-to-date view of the counterparty risks of a credit portfolio and of the Depot A. This is based on the P&L (periodically) and/or cash flow (value-oriented). CPV takes into account changes in creditworthiness and credit defaults of customers, issuers and counterparties in the corresponding macroeconomic scenarios.
Savings Banks Loss Data Collection	– The loss data collection is used to determine liquidation and recovery rates from the history of defaulted customers. The loss data is validated annually and integrated into bank management on the basis of institution or pool data via the RAP and CPV applications for managing counterparty default risk. Additional parameters are estimated from the validated pooled loss data of the Savings Banks Finance Group (e.g. to fulfil the hard test notification) and comprehensive reports are prepared.

Promissory note loans are also used by many Savings Banks for targeted investment in lending business with companies. All these instruments can be used both for hedging credit risks and for investing in credit risks.

The decisive factor is that customer responsibility remains with the lending Savings Bank. At the same time, however, the Savings Bank has “financing partners” at its disposal so that it can increase its leeway in the lending business through liquidity and equity relief. The systematic use of other Savings Banks, Landesbanken and alliance partners creates new opportunities for more credit growth, especially when accompanying the growth of large SMEs.

Hedging counterparty risks:
Example of Savings Bank loan baskets
For 16 years now, the Savings Banks have had another efficient instrument at their disposal for hedging credit risks and managing concentration risks: Savings Banks loan baskets. In contrast to the syndicated loan business, they provide a way to synthetically hedge credit risks.

Designed like a “mutual insurance association”, participating Savings Banks contribute their hedging needs for the entire credit business relationships with larger customers to a basket twice a year and at the same time participate in the resulting diversified portfolio.

In the meantime, a good 40 percent of all Savings Banks have participated in at least one of the Savings Bank loan baskets, mutually hedging a total of almost EUR 6.7 billion. Here, too, the basic principle applies that the customer relationship remains with the lending Savings Bank, but at the same time it gains more leeway in the lending business with its existing customers and with new customers. In this way, the risk situation in the lending business can be managed in a targeted manner.

Managing market price risks
The starting point for market price risk management is the recording of the assets invested in this segment. The sum of these asset positions is subject to market price fluctuations, which can lead to either asset increases or asset decreases. The institutions of the Savings Banks Finance Group are supported by the DSGV, SR and the regional associations, both in terms of the methodology for quantifying market price risks and optimising assets, as well as the technical implementation in dealing with these risks. Since the end of 2017, SR has offered the Savings Banks standardised parameters for quantifying interest rate, spread, equity and foreign currency risk and it is consistently working on further improving the methods for market price risk management.

The interest rate risk is a key market price risk. This is presented in the Savings Banks Finance Group as value-at-risk (VaR) using the standard procedure of modern historical simulation. In this procedure, risks are directly related to possible earnings expectations.

For the management of interest rate risks, the institutions have instruments at their disposal which enable them to generate concrete control measures, taking into account the risk-bearing capacity required by supervisory law as well as internal economic and balance sheet limits. The continuous use of these procedures broadens the decision-making basis of the institutions, making it easier to derive effective measures for controlling the interest rate risk.

The management of interest rate risks is of major importance to the Savings Banks Finance Group, even in the persistently low interest rate environment, as

- the capital invested in the interest business accounts for a significant and strategic share of the total capital allocation in most institutions of the Savings Banks Finance Group,
- the intense competitive situation and the low interest rate policy of the European Central Bank permit only low margins and because results of proprietary investments contribute to the stability of the overall earnings position,
- member institutions need to prepare themselves for a potential sustained rise in interest rates,
- new refinancing structures require the separation of refinancing and interest rate risk management,
- in the case of debt instruments, credit spreads and interest rate risks are linked more closely than before, and
- the supervisory authority focuses on interest rate risk, monitors it using standardised parameters and derives capital requirements on the basis of these parameters. Examples of this are the so-called SREP surcharge for interest rate risks and the determination of the capital target ratio from data of the LSI stress test.

The potential provided by interest rate risk management has been used across the board for years. Almost all Savings Banks have the necessary procedures and the associated technology. More than two thirds of the Savings Banks regularly report their interest rate risk to the DSGV on this basis.

Analysis of the Savings Banks' interest rate risks for 2020 demonstrates that the measures for managing interest rate risks are consciously adapted to the current market situation. The Savings Banks continued to generate solid earnings contributions in 2020, keeping net interest income largely stable. At the same time, the different risk appetites and interest rate expectations within the Savings Banks Finance Group ensure a very high level of diversification within the interest rate investments across the entire Group.

Managing liquidity risk

Liquidity risk is defined as insolvency risk and refinancing cost risk, each taking into account market liquidity risk. The latter is the risk that financial securities cannot be traded at a certain time and / or at fair prices due to market disruptions or insufficient market depth. Market liquidity risk focuses on the liquidity value of securities and the available refinancing capacity on the market.

The European liquidity coverage ratio (LCR) was introduced on 1 January 2018, with a minimum compliance rate of 100 percent. This requirement was more than adequately met by the Savings Banks. The simulation and planning options for LCR have improved steadily in recent years thanks to the LCR controller on caballito and enable all Savings Banks to fine-tune the operational management of this short-term ratio.

The focus of the institutions and associations of the Savings Banks Finance Group is generally on a permanent improvement of qualitative and quantitative liquidity risk management. A major innovation in the technical basis for this is the uniform group software SVP calculator on caballito and the associated standard parameterisation. The analysis options of the extensive liquidity reporting system were also greatly improved. The small-scale data supply of the computer centre enables the Savings Banks to analyse their liquidity flows to any level of detail. Centrally developed key figures, such as the survival period, make risk management comparable and accessible to senior management for interpretation.

Since 2019, the institution-specific process for identifying, measuring, managing and monitoring all liquidity risks (ILAAP) has been further refined. In 2020, the institutions of the Savings Banks Finance Group increasingly used the targeted, longer-term refinancing instruments of the Eurosystem as part of their refinancing mix. At the same time, preparations have been made for compliance with the European “stable refinancing ratio” (NSFR) which will apply from mid-2021.

Managing operational risks
Their sustainable business orientation obliges the institutions of the Savings Banks Finance Group to regularly deal with impending risks and their professional prevention. This is the only way to secure existing values in the future.

Operational risks are ubiquitous and yet not always easily identifiable. A more detailed explanation of the classification of operational risks is provided by Article 4 (52) CRR, according to which losses that may occur as a result of the inadequacy or failure of internal procedures, staff, internal infrastructure or as a result of external influences (including legal risks) may endanger an institution.

Furthermore, according to AT 2.2 of MaRisk, operational risks are to be taken into account as “material risks”, and thus the Savings Bank must maintain a corresponding risk coverage potential for this, which is usually determined using the basic indicator approach. For business management, it uses the “loss database”, “OpRisk estimation procedure” and/or “OpRisk scenarios” procedures offered by SR. In the loss event database, loss events that have occurred are systematically recorded and evaluated. In the “OpRisk scenarios”, possible operational risks and their loss potential are assessed ex ante and preventive measures are derived.

In addition to the procedures for managing operational risks, the OpRisk estimation procedure is available to the Savings Banks as a standardised instrument both for estimating operational risks for the periodic risk-bearing capacity and for calculating the economic perspective. In addition to the institutions‘ own loss events, loss events from the nationwide OpRisk data pool are also taken into account.

The Savings Banks deliver their data annually to a nationwide data pool, which also gives them access to loss event data and risk scenarios of other institutions. The mutual exchange of this information helps to avoid losses and limit operational risks. The collected pool data can be regarded as representative due to the homogeneous business model of the Savings Banks.

The procedures provided (loss database, OpRisk estimation procedure, OpRisk scenarios and risk inventory) support the institutions in fulfilling MaRisk.

Protection afforded to institutions by the Savings Banks Finance Group's institution protection scheme

The institution protection scheme of the Savings Banks Finance Group protects customer deposits at the 376* independent Savings Banks, the Landesbanken, DekaBank and the Landesbausparkassen. In addition, the following institutions are affiliated with the guarantee fund of the Landesbanken: Berlin Hyp AG, Deutsche Hypothekenbank, Frankfurter Bankgesellschaft, Landesbank Berlin Holding AG, Portigon AG, S-Kreditpartner GmbH, Sparkassen Broker AG & Co. KG and Weberbank AG.

The guarantee scheme created by the Savings Banks Finance Group is designed as an institution protection system. The primary objective of the protection scheme is to avoid compensation cases and to protect the member institutions themselves, in particular to guarantee their liquidity and solvency (institutional protection). In this way, the business relationships of the member institutions with their customers can be continued as contractually agreed. Within the framework of the legal requirements, the voluntary institution protection scheme therefore averts any imminent or existing economic difficulties. In addition, the protection scheme of the Savings Banks Finance Group is officially recognised as a deposit protection system in accordance with the German Deposit Protection Act (Einlagensicherungsgesetz - EinSiG). Under the statutory deposit guarantee scheme, the customer has a legal claim through the guarantee scheme for reimbursement of deposits up to EUR 100,000. This is stipulated in Germany's Deposit Guarantee Act.

The institution protection scheme of the Savings Banks Finance Group comprises thirteen guarantee funds: eleven regional Savings Banks guarantee funds, the guarantee fund of the Landesbanken and Girozentralen as well as the guarantee fund of the Landesbausparkassen.

The protection scheme has proven its worth for more than four decades. Since its foundation in 1973, no customer has ever lost their deposits or the interest due on them. Depositors have never had to be indemnified. No member institution has ever become insolvent.

Financial market participants recognise the safeguarding effect of the institution protection scheme. Three international rating agencies – Moody's Investors Service, Fitch Ratings and DBRS Morningstar – explicitly base their very good ratings for Savings Banks, Landesbanken and Landesbausparkassen on the protection scheme.

Risk monitoring of the Savings Banks Finance Group's institution protection scheme

The guarantee funds have an early-warning system for the identification of potential risks, which permit countermeasures to be initiated rapidly. This risk monitoring is based on quantitative and qualitative parameters.

In addition to standard key ratios, qualitative reports are included in the assessment of an institution. Based on this information, the member institutions are classified into one of four monitoring levels.

The guarantee funds carry out risk monitoring in accordance with standardised principles. Monitoring committees monitor the risk situation of their member institutions, request additional information from them if necessary and take countermeasures if required.

* As at 31.12.2020

The individual guarantee funds report regularly to a central transparency committee at the DSGV. This committee monitors the overall risk situation of the protection scheme and ensures transparency within the system.

Scope for action by guarantee funds
The guarantee funds have rights of information and intervention enshrined in the statutes.

In addition to general rights, such as the right to audit all institutions at any time, there are additional rights to information and intervention that are derived from the results of the risk monitoring.

Institutions with no particular risk exposure are obliged to provide all information necessary for risk monitoring and must report on the occurrence of extraordinary events within the scope of their due diligence obligations. If the risk situation deteriorates, the guarantee funds will decide on countermeasures. Institutions in a special risk situation are required by the guarantee fund to submit a restructuring concept and to initiate suitable measures in relation to assets or personnel.

In the case of support for an institution, the guarantee funds of the protection scheme have a comprehensive catalogue of measures at their disposal. As a rule, support is linked to conditions in a restructuring agreement; for example, benefits are repaid as soon as the economic situation of the supported institution has improved. This can also lead to a merger with another institution. The decision-making bodies are given a great deal of flexibility in responding to the specific circumstances of a given challenge.

The individual guarantee funds of the institution protection scheme are interlinked.

A total of eleven Savings Bank guarantee funds are managed by the regional Savings Bank associations. They are interlinked by a supra-regional compensation mechanism. This mechanism is used whenever the resources required to support a troubled institution exceed those of the region's own guarantee fund. All other Savings Bank support funds then jointly participate in any necessary measures to support an institution. In this way, all eleven regional Savings Bank support funds are interconnected.

There are independent funds for the Landesbanken and Girozentralen as well as the Landesbausparkassen:

→ the Guarantee Fund for Landesbanken and Girozentralen, and

→ the Guarantee Fund for Landesbausparkassen.

If necessary, all of these guarantee funds work together within the system-wide compensation mechanism, which encompasses:

→ all Savings Bank guarantee funds,

→ the Guarantee Fund for Landesbanken and Girozentralen, and

→ the Guarantee Fund for Landesbausparkassen.

This applies in the event that the resources required to support a troubled institution exceed the guarantee fund concerned. Due to the system-wide compensation mechanism, the combined resources of all these guarantee funds are available in a crisis to support measures to protect the institution.

This means that the guarantee funds which make up the institution protection scheme have at their disposal the resources and power they need to identify and resolve financial problems confronting their members at an early stage. The aim of every support measure is to restore the sustainable competitiveness of the member institution concerned.

Assessing risk-based contributions to the Institution Protection Scheme of the Savings Banks Finance Group

Contributions to the institution protection scheme of the Savings Banks Finance Group reflect not only the size and scope of business but also the individual risk-bearing capacity of an institution. The amount of the contributions of the member institutions is assessed in accordance with the regulatory requirements according to risk parameters defined by the supervisory authorities. The contributions of a member institution increase with its business volume and the regulatory risk parameters. This creates incentives for risk-conscious behaviour and thus for ensuring the solidity of the member institutions.

The law requires the institution protection scheme to continue building up its financial resources between now and 2024. The statutory target is 0.8 percent of the covered deposits of the protection scheme's member institutions. As a significant part of the required funds has already been contributed from existing assets, the institution protection scheme of the Savings Banks Finance Group already has a solid financial base.

Provision of funds to protect institutions

Sequence of actions to support a Savings Bank	Sequence of actions to support a Landesbank
Cash injection from the affected regional fund	Cash injection from the guarantee fund of the Landesbanken
↓	↓
Additional contributions from the affected regional fund	Obligation to make additional contributions to the guarantee fund of the Landesbanken
↓	↓
Cash injection from the other regional funds (supraregional compensation)	Cash injection from the system-wide compensation mechanism (Savings Banks and Landesbausparkassen)
↓	↓
Additional contributions from the other regional funds (supraregional compensation)	Obligation to make additional contributions to the system-wide equalisation scheme (Savings Banks and Landesbausparkassen)
Funds of the Landesbanken and Landesbausparkassen (system-wide equalisation)	The same sequence of actions is adopted to support a Landesbausparkasse.

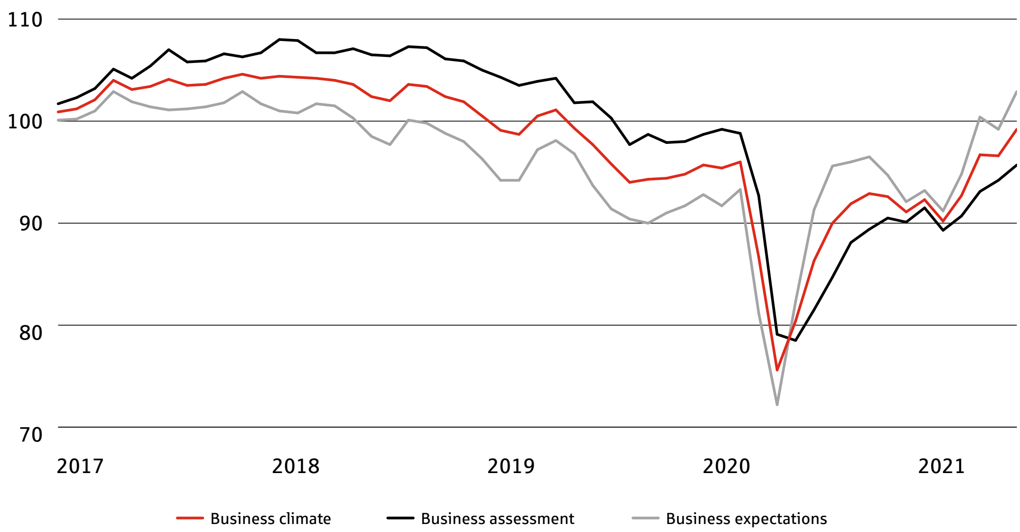
Report on expected developments

Economic environment 2021

The German economy started 2021 in a renewed lockdown that lasted into the second quarter. The hoped-for recovery has therefore been postponed. It will only be sustainably achievable when the majority of the population has received a vaccination.

Hope for a strong recovery in the further course of the year is indicated by the various sentiment indicators which, for example, as measured by the ifo business climate, show relatively high values.

Ifo Business Climate index for Trade and Industry [1]



[1] Source: ifo Institute.

In the first half of 2021, exports from Germany to those regions of the global economy that are growing more dynamically are already increasing, thus pulling German industry upwards. Asia in particular, led by China, is once again growing strongly and perspectively, after the strong economic stimulus, so is the USA. German industry was relatively unaffected by the restrictions during the second lockdown.

The service sector, on the other hand, will continue to be subject to far-reaching restrictions in many parts until well into 2021. GDP will therefore be weaker in the first and even in the second quarter. Hopes rest on the second half of the year. The spring report of the German economic research institutes* predicts real growth of 3.7 percent for the German economy in 2021 as a whole.

The development of consumer prices is likely to be exaggerated, especially in the second half of the year. However, this is mainly due to technical reasons such as the base effect from the lower VAT compared to the previous year. However, this temporary price spike should not yet be regarded as inflation. Nevertheless, the issue of potential inflation will have to be closely monitored in the long run. Given the strong growth in money supply, the fixed expansionary monetary policy and the high debt levels, a number of preconditions are in place for higher price increases. The development of long-term bond yields will be determined by the way in which capital markets form their inflation expectations.

* Joint diagnosis from 15.04.2021

Business performance of Savings Banks

In the first quarter of 2021, the Savings Banks recorded strong new lending business with companies and the self-employed, slightly above the level of the first quarter of 2020. More loans were also granted to private individuals in the first three months than in the same period of the previous years. The Savings Banks continue to stand by their customers, making a significant contribution to the financing of small and medium-sized enterprises in Germany and supporting private individuals in realising their home construction projects.

Structural shifts in the deposit sector continued in the first months of 2021, with demand deposits continuing to rise substantially. Whether and to what extent this development will continue over the year as a whole remains to be seen. However, the structural shares of savings deposits, time deposits and own issues will in all likelihood continue to decline. In the customer securities business, turnover in the first quarter of 2021 was at the high level of the previous year, and net sales (purchases minus sales) were only slightly below the very strong value of the previous year.

The greatest risk for the outcome forecast remains the uncertain course of the pandemic. If the vaccination programme is successful and the incidence of infection can be contained, it can be assumed that the economy will no longer be significantly affected in the course of the summer half-year 2021. The pre-crisis level of economic output will probably not be reached until the end of 2021 at the earliest, and normal capacity utilisation of the economy will not be reached until the end of 2022, as is also the case with the pre-crisis level of employment. The extremely low interest rate environment will be prolonged as the new normal by the crisis.

For the year as a whole, net interest income is expected to decline, commission income to rise and personnel expenses to fall noticeably, while operating expenses are expected to rise slightly.

According to current information, the valuation result will be lower than in the previous year. While no or only minor valuation measures are expected to be necessary for securities, we expect a significant increase in risk provisioning in the lending business due to the pandemic, but at an overall level that is easily manageable for the Savings Banks. It will also be possible to allocate reserves, albeit at a significantly lower level, which can be used to strengthen capital in addition to the slightly increased annual result after taxes.

Business performance of Landesbanken

2021 poses many challenges for the Landesbanken, but it nevertheless offers good opportunities for the institutions to maintain their market position. The strengths of the Landesbanken are their many years of expertise, their long-established customer relationships, their roots in the regions and their association with the Savings Banks. They have significant market positions in the important loan and deposit categories: In corporate lending[1], their market share at the end of March 2021 was 12.1 percent and in corporate deposits 14.1 percent. In domestic public sector lending, they have a 28.6 percent share of the total market volume, and in their deposits, 13.1 percent. In the first quarter of 2021, the aggregate balance sheet total of the institutions has grown at a slightly slower pace compared to the same quarter of the previous year. Customer lending, especially corporate lending, continues to expand, so far significantly stronger than in the previous year. On the deposit side, customer deposits continue to rise, especially from companies.

The challenges in 2021 continue to include low interest rates, regulatory requirements and the pressure on earnings due to the high intensity of competition. Above all, the impact of the Corona pandemic on the real economy and on the banking industry is again substantial this year. The extent of rising insolvencies and the subsequent increase in loans at risk of default will depend on how quickly companies can return to a state of economic “normality” and also how quickly the political support measures are withdrawn. As a result, loan defaults and further burdens on risk

[1] Investment loans excluding commercial housing.

provisioning are to be expected in the medium term. Although this will put a strain on the earnings situation of the institutions, the Landesbanken have a solid equity and liquidity base with a balanced risk profile.

The Corona pandemic has not only brought about behavioural changes but also the accelerated use of new digital technologies. New competitors are also accelerating this digitalisation push. Therefore, business models must be continuously adapted and corresponding investments made, especially in IT and infrastructure. The digitalisation of the institutions ranges from the customer interface to internal processes. With various cost-cutting measures and transformation programmes, the Landesbanken are continuously working on strengthening their competitiveness.

In addition to digitalisation, sustainability is also a central topic for the institutions, which gives the Landesbanken the opportunity to further develop their business models. In order to make their contribution to environmental and climate protection, the Landesbanken will further expand sustainable investment and financing options for their customers, and also support companies in their transformation to sustainable business models. The goal is to make their own business operations even more resource-friendly and to continuously increase the share of ESG[1] products in their portfolio.

The Group‘s business with the Savings Banks offers an excellent opportunity to counter the pressure on profitability on both sides. It is important to further expand offers, create targeted product and service initiatives and support Savings Bank business through digital applications or even platforms. In this way, the Savings Banks‘ business potential can be further exploited and efficiency increased. Joint financing of larger companies or support in foreign business strengthen the export-oriented corporate customers of the Savings Banks.

Overall, the successful cooperation with private and corporate customers as well as the Savings Banks and the public sector will continue in 2021. In doing so, it will be important to respond to the challenges with the further development of the business models flexibly and quickly, to respond to new customer needs and to continue to support customers in overcoming the Corona crisis.

Business performance of Landesbausparkassen

In the current capital market situation, building savings contracts continue to be attractive as an instrument for long-term hedging of the risk of rising interest rates. Building savings will receive additional impetus from the improvement of the housing subsidy decided by the Federal Government: from the savings year 2021, broad sections of the population will again benefit from the subsidy thanks to significantly increased income limits. The subsidy rate, which has been increased to 10 percent, as well as higher eligible savings payments, contribute to strengthening the formation of equity capital for the purchase of residential property.

Management outlook

The Savings Banks can look back on a year in which their business model successfully passed an extremely tough real economic “stress test”. 2020 was a crisis year, in which the Savings Banks and their affiliated institutions and partner companies were at the side of their customers with a variety of support measures and in which they all experienced a major surge in digitalisation.

For 2021, it will be essential to link the important market developments with the major tasks of the future. The prerequisites for this are challenging.

[1] Environmental, Social, Governance

For years, there has been more money on the market than could be channelled into attractive investments. In the immediate crisis, the willingness of monetary policy to intervene again had a stabilising effect. However, following the normal market mechanism, the ongoing flooding of the markets is massively depressing yields especially in those market segments that are relevant for institutional investors and savers with a moderate risk appetite.

This raises the question of how deposit-rich institutions and their customers can manage a growing deposit surplus economically. Customers entrusted Savings Banks with new deposits of EUR 79.1 billion in 2020. Savings Banks can no longer invest these ever faster growing deposits profitably. They have to take increasingly hard countermeasures through savings and more commission business.

At the same time, in the interest of their customers, Savings Banks will strengthen their advisory services around private asset formation. In today's market environment, this is almost only possible through tangible assets such as real estate and securities. In a voluntary commitment to climate protection adopted in 2020, the institutions of the Savings Banks Finance Group highlight their willingness to promote the ecological renewal of the economy in their customer business. Savings Banks, Landesbanken and specialised Group partners therefore offer an increasing number of securities products that make it possible to participate in the economic opportunities these changes bring. The basis for achieving private wealth accumulation and ecological renewal on a broad scale is high-quality commission-based advice that is anchored in the local region. It remains a core element of the Savings Banks' work locally.

Negative market interest rates reduce the earnings opportunities for Savings Banks, Landesbanken and their customers. This makes the innovative achievements implemented by the Savings Banks Finance Group in 2020 all the more remarkable. Further major steps are planned for 2021, for example, the payment service via the Savings Banks apps will be significantly expanded in order to better connect consumers and businesses.

With the girocard and Instant Payment, both of which have been particularly strongly placed in the German market by Savings Banks and their association partners, the Group is also making a significant contribution to the expansion of the European infrastructure for digital payment. This is already being done with a view to the introduction of digital currencies, which require additional protection for customers according to European rules and through relevant European products.

The economic situation of many business customers has stabilised in 2021. The Savings Banks' profitability management and risk provisioning are nevertheless monitoring the developments closely and in a differentiated manner, as some sectors and in particular smaller businesses were hit comparatively harder by the pandemic. The need for loan loss provisions at the end of 2020 was significantly below the estimates from the first lockdown. In 2021, this is expected to be higher than in the previous year. With a further increase of EUR 2.9 billion in provisioning reserves in 2020, the Savings Banks have made sufficient arrangements for these expected loan loss provisions.

However, inspite of all the business caution, the extent of the economic damage caused by the pandemic in 2021 will ultimately be determined by the course of the government vaccination programme, the acceptance of this service by the German population and the politically agreed opening strategy.

Supplementary report

No significant events occurred after the balance sheet date of 31 December 2020.

5. AGGREGATED FINANCIAL STATEMENTS

Explanatory notes on aggregation

Scope of aggregation

The aggregated balance sheet and aggregated income statement presented by the DSGV include the financial statements of all Savings Banks, Landesbanken and Landesbausparkassen and Hamburg Commercial Bank (former HSH Nordbank), which is still affiliated with the Institution Protection Scheme.

The Landesbausparkassen have been fully included in the scope of aggregation, regardless of their legal form (legally independent entities or legally dependent units of Landesbanken).

The foreign branches of Landesbanken, as well as their domestic and foreign Group subsidiaries and Landesbausparkassen were not taken into account.

Aggregation

The Savings Banks and Landesbanken data used in the preparation of the aggregated balance sheet were taken from the German Central Bank's December 2019 and 2020 reports on the monthly balance sheet statistics (Bista). The corresponding balance sheet figures of the Landesbausparkassen are taken from the respective annual reports.

The figures for the aggregated profit and loss account (P&L) for the financial years 2019 and 2020 for the Savings Banks and Landesbanken are based on the results of the intercompany comparison and the FINREP reports of the Savings Banks, as well as the published individual financial statements of the Landesbanken in accordance with the German Commercial Code, whereby the results of the intercompany comparison of the Savings Banks have been reclassified in accordance with the German Commercial Code. The figures for the Landesbausparkassen were taken for both financial years from the respective annual reports - also prepared in accordance with the German Commercial Code.

The result of this data compilation consists of an unconsolidated aggregated balance sheet and an unconsolidated aggregated income statement of the institutions affiliated to the Institution Protection Scheme of the Savings Banks Finance Group. Other institutions affiliated to the Institution Protection Scheme of the Savings Banks Finance Group are: BerlinHyp, Deutsche Hypothekenbank, Frankfurter Bankgesellschaft (Deutschland) AG, Landesbank Berlin Holding AG, Portigon AG, S-Kreditpartner GmbH, Sparkassen Broker and Weberbank.

Aggregated profit and loss account of the Savings Banks Finance Group*

	2020[1] in EUR million	2019 in EUR million
Net interest income	**27,625**	27,737
Interest income	53,886	58,464
Interest expense	26,261	30,727
Net commission income	**9,809**	9,636
Commission income	12,822	12,502
Commission expense	3,014	2,867
Net result from financial transactions	**453**	472
Administrative expenses	**27,153**	28,011
Personnel expenses	16,039	16,364
Material expenses	11,114	11,647
Other operating income	**188**	271
Operating result before valuation	**10,921**	10,104
Valuation result (excluding equity interests)	–2,852	–579
Operating result after valuation	**8,069**	9,525
Balance of other and extraordinary income / expenses [2]	–3,865	–4,680
of which: additions to the fund for general banking risks in accordance with section 340g of the German Commercial Code [3]	–3,189	–4,308
Net income before taxes	**4,204**	4,845
Taxes on income and earnings	2,751	2,662
Net profit after taxes	**1,454**	2,184
of which net income after taxes of the Savings Banks	1,481	1,878
of which net income after taxes of the Landesbanken	–57	279
of which net income after taxes of the Landesbausparkassen	30	26
Return on equity	in %	in %
before taxes	4.2	5.4
after taxes	2.6	3.8
Cost-income ratio (operating income)	**71.3**	73.5

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of Landesbanken) as well as Hamburg Commercial Bank (former HSH Nordbank), which is still affiliated with the institution protection scheme.
[1] Preliminary figures from partly not yet audited annual financial statements in accordance with German Commercial Code, rounding differences possible.
[2] This includes the balance from profits from the sale of financial investments and securities held as fixed assets, write-downs on / write-ups to financial investments and securities held as fixed assets as well as changes in the fund for general banking risks in accordance with section 340g of the German Commercial Code (allocations to the fund for general banking risks with a negative sign).
[3] The allocations to the fund for general banking risks in accordance with section 340g of the German Commercial Code are taken into account here - as in the "original" income statement according to German Commercial Code - as expenses reducing the annual result.

Source: Operational comparison and FINREP reports of the Savings Banks, annual reports of the Landesbanken (individual financial statements in accordance with German Commercial Code), DSGV / Federal office of Landesbausparkassen, German Central Bank.

Aggregated Balance Sheet of the Savings Banks Finance Group*

	Assets	Balance at the end of the year 2020 EUR million	2019 EUR million
1	Cash reserve [1]	**193,190**	121,016
1a	of which balances with central banks	176,462	106,569
2	Treasury bills [2]	**1,135**	677
3	Other bills	**0**	0
4	Loans and advances to banks (MFIs)	**273,012**	268,573
5	Loans and advances to non-banks (non-MFIs)	**1,338,114**	1,307,380
6	Debt securities and other fixed-income securities	**311,129**	321,319
7	Equities and other non-fixed-income securities	**107,803**	105,013
8	Investments	**13,364**	14,041
9	Investments in affiliated companies	**10,595**	10,426
10	Trust assets	**13,032**	9,080
11	Equalisation claims	**0**	0
12	Tangible fixed assets	**12,008**	11,854
13	Other assets	**109,943**	104,111
14	**Total assets**	**2,383,326**	**2,273,491**

* Savings Banks Finance Group: 1. Savings Banks, 2. Landesbanken without foreign branches, without domestic and foreign Group subsidiaries, without LBS, 3. Landesbausparkassen (legally independent LBS and legally dependent divisions of Landesbanken); also included is Hamburg Commercial Bank (former HSH Nordbank), which is still affiliated to the institution protection scheme.

[1] Cash on hand, balances with central banks

[2] inc. non-interest-bearing treasury bills and similar debt instruments issued by public authorities

Liabilities		Balance at the end of the year	
		2020 EUR million	2019 EUR million
1	Liabilities to banks (MFIs)	**435,998**	371,440
2	Liabilities to non-banks	**1,409,403**	1,341,961
2a	Savings deposits	347,345	356,996
2b	Other liabilities	1,062,058	984,965
3	Securitised liabilities	**193,384**	211,823
3a	of which: debt securities issued	190,074	190,483
3b	Money market instruments issued	3,297	21,338
4	Trust liabilities	**13,032**	9,080
5	Write-downs on loans and securities	**1,836**	1,855
6	Provisions	**26,333**	27,828
7	Subordinated liabilities	**17,087**	18,024
8	Profit participation certificates	**1,189**	1,604
9	Equity [3]	**177,937**	173,041
10	Other liabilities [4]	**111,541**	116,837
11	**Total liabilities**	**2,383,326**	**2,273,491**
12	Contingent liabilities [5]	**0**	0
13	Bills for collection	**0**	1
14	Business volume	**2,383,326**	2,273,492
15	Guarantees	**69,271**	69,724

[3] Endowment capital and reserves (inc. fund for general banking risks)
[4] Including special items with an equity portion
[5] from rediscounted credit bills (inc. own bills drawn)

Source: DSGV, balance sheet statistics / business development of Savings Banks, Landesbanken (excluding LBS, excluding foreign branches and excluding domestic and foreign Group subsidiaries) and Landesbausparkassen.

6. GERMAN SAVINGS BANKS ASSOCIATION (DSGV)

Deutscher Sparkassen- und Giroverband e.V. (DSGV - German Savings Banks Association) is the umbrella organisation of the Savings Banks Finance Group.

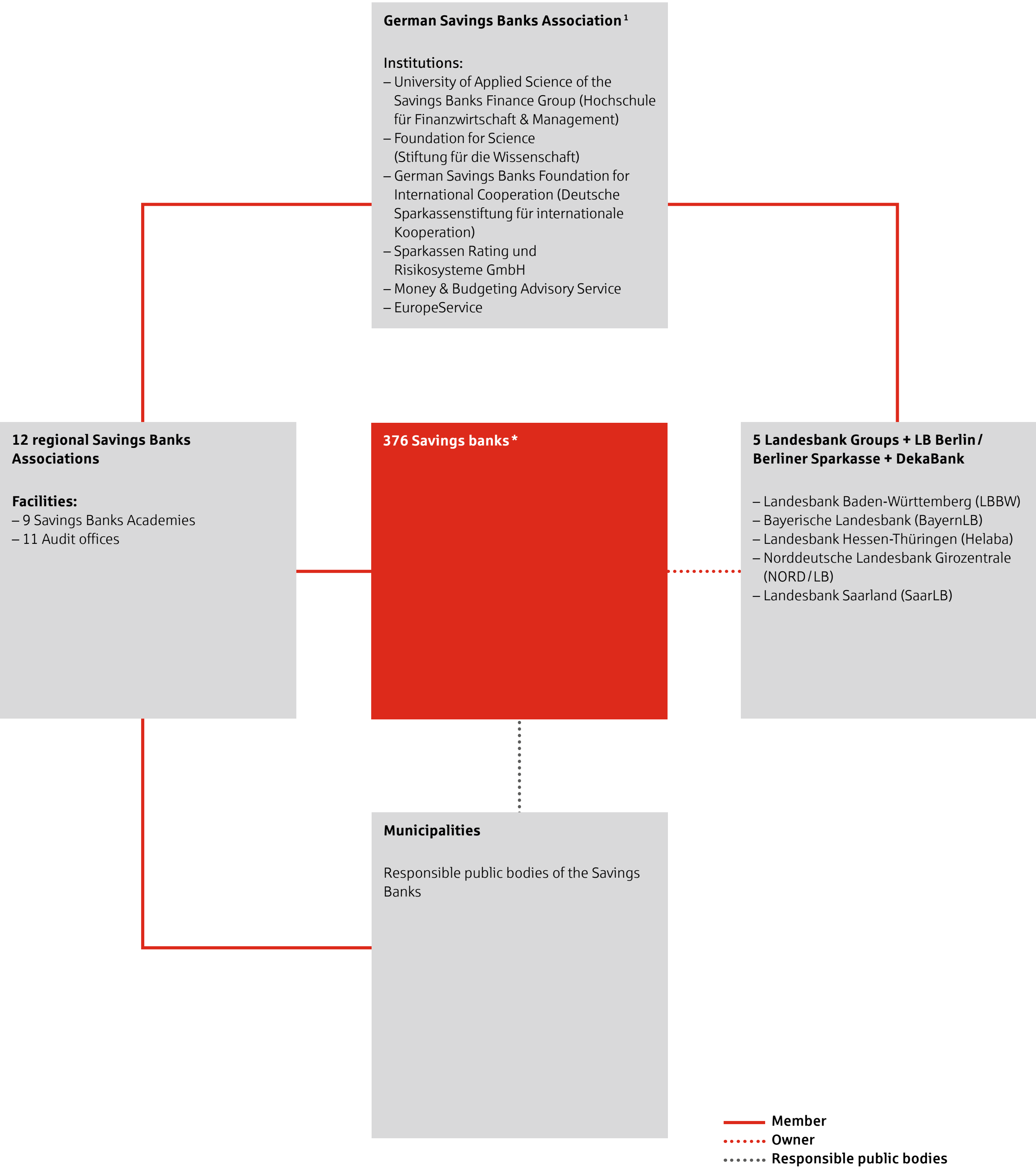
The DSGV represents the interests of all the entities associated with the Savings Banks Finance Group in matters of banking policy, credit management and supervisory law vis-à-vis national and international institutions as well as the general public. In addition, the DSGV also coordinates the decision-making processes within the Savings Banks Finance Group and its strategic orientation.

To this end, its members and associated entities work together with the DSGV on concepts for successful market development. This comprises strategic issues in terms of the market and operations, ranging from product development and processing to risk management, overall bank management, card and payment transactions, the digital agenda and comprehensive advisory approaches and sales strategies for all customer segments as well as sustainability issues.

The DSGV also funds the central educational institutions of the Savings Banks Finance Group: the University of Applied Science in Bonn and the Money and Budgeting Advisory Service. Other joint institutions include the Foundation for Science with its Support College and the German Savings Banks Foundation for International Cooperation.

In addition, the DSGV also manages the schemes protecting its affiliated institutions in accordance with the German Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz) and the Institution Protection Scheme of the Savings Banks Finance Group, as well as the Guarantee Fund of the Girozentralen and the Guarantee Fund of the Landesbausparkassen.

Summary of the Savings Banks Finance Group's association structure



[1] Including the Main Office of the Landesbausparkassen.

* As at 31.12.2020. 371 Savings Banks as at 15.06.2021.

DSGV[1]

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↘ **www.dsgv.de**

Executive Committee

Ordinary members	Deputy members
Helmut Schleweis President of the German Savings Banks Association, Berlin **– Chairman –**	
Thomas Mang President of the Lower Saxony Savings Banks Association, Hanover	**Peter Schneider** President of the Baden Württemberg Savings Banks Association, Stuttgart
Stephan Winkelmeier Chairman of the Management Board of the Bayerische Landesbank, Munich	**Rainer Neske** Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart/Karlsruhe/Mannheim
Walter Strohmaier Chairman of the Management Board of Sparkasse Niederbayern-Mitte, Straubing	**Alexander Wüerst** Chairman of the Board of Kreissparkasse Köln
Professor Dr Hans-Günter Henneke Managing Member of the Executive Committee of the Association of German Counties, Berlin	**Markus Lewe** Mayor of the City of Münster and Vice-President of the Association of German Cities and Towns, Berlin and Cologne

[1] All information current at the copy deadline 2. July 2021

Group Management Board

Chairman of the Board of Directors

Helmut Schleweis
President of the German Savings Banks Association, Berlin

Deputies for the Chairman of the Management Board (Vice-Presidents)

Thomas Mang
President of the Lower Saxony Savings Banks Association, Hanover
1st Vice President

Stephan Winkelmeier
Chairman of the Management Board of Bayerische Landesbank, Munich
2nd Vice President

Walter Strohmaier
Chairman of the Board of Sparkasse Niederbayern-Mitte, Straubing
3rd Vice President

Professor Dr Hans-Günter Henneke
Managing Member of the Executive Committee of the Association of German Counties, Berlin
4th Vice President

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Chairpersons of the Associations

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Professor Dr Liane Buchholz
President of the Westphalia-Lippe Savings Banks Association, Münster

Dr Michael Ermrich
Executive President of the Eastern German Savings Banks Association, Berlin

Dr Johannes Evers
President of the Savings Banks Association, Berlin
Chairman of the Board of Landesbank Berlin AG / Berliner Sparkasse

Gerhard Grandke
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Cornelia Hoffmann-Bethscheider
President of the Saar Savings Banks Association, Saarbrücken

Beate Läsch-Weber
President of the Rheinland-Palatinate Savings Banks Association, Mainz

Thomas Mang
President of the Lower Saxony Savings Banks Association, Hanover

Professor Dr Ulrich Reuter
President of the Bavarian Savings Banks Association, Munich

Peter Schneider
President of the Baden-Württemberg Savings Banks Association, Stuttgart

Oliver Stolz
President of the Schleswig-Holstein Savings Banks Association, Kiel

Dr Harald Vogelsang
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and Chairman of the Board of Management of Hamburger Sparkasse AG

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Thomas Groß
Chairman of the Board of Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main and Erfurt

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Chairman of the Board of Landesbank Baden-Württemberg, Stuttgart / Karlsruhe / Mannheim and
Member of the Management Board of the Bundesverband Öffentlicher Banken Deutschlands e.V., Berlin

Stephan Winkelmeier
Chairman of the Board of Bayerische Landesbank, Munich

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Walter Strohmaier
Chairman of the Board of Sparkasse Niederbayern-Mitte, Straubing

Regional Chairmen of Savings Banks Boards (Landesobleute)

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Chairman of the Board of Management of Förde Sparkasse, Kiel

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Chairman of the Board of Sparkasse Oberlausitz-Niederschlesien, Zittau

Ingo Buchholz
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Ralf Fleischer
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Peter Klett
Chairman of the Board of Weser-Elbe Sparkasse, Bremerhaven

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Siegmar Müller
Chairman of the Board of Sparkasse Südpfalz, Landau

Hans-Werner Sander
Chairman of the Board of Sparkasse Saarbrücken

Burkhard Wittmacher
Chairman of the Board of Sparkasse Esslingen-Nürtingen, Esslingen

Alexander Wüerst
Chairman of the Board, Kreissparkasse Köln

Representatives of the municipal umbrella organisations

Association of German Cities

Helmut Dedy
Managing Member of the Executive Committee of the Association of German Cities, Berlin and Cologne

Markus Lewe
Mayor of the City of Münster and Vice-President of the Association of German Cities, Berlin and Cologne

Association of German Counties

Professor Dr Hans-Günter Henneke
Managing Member of the Executive Committee of the Association of German Counties, Berlin

Bernhard Reuter
District Administrator of the Göttingen District and Vice-President of the Association of German Counties, Berlin

German Association of Towns and Municipalities

Dr Gerd Landsberg
Managing Member of the Executive Committee of the Association of German Towns and Municipalities, Berlin

Roland Schäfer
Honorary President of the Association of German Towns and Municipalities, Berlin

DekaBank Deutsche Girozentrale

Dr Georg Stocker
Chairman of the Board of DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main

Chairman of the Building Societies Conference

Jörg Münning
Chairman of the Board of LBS Westdeutsche Landesbausparkasse, Münster

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Dr Karl-Peter Schackmann-Fallis
Executive Member of the Board of the DSGV, Division A, Berlin

Dr Joachim Schmalzl
Executive Member of the Board of the DSGV, Division B, Berlin

Abkürzungsverzeichnis / List of abbreviations

Abbreviation	Explanation in English	Explanation in German
API	Application Programming Interface	Anwendungsprogrammierschnittstelle
GDP	Gross Domestic Product	Bruttoinlandsprodukt
Bista	Balance Sheet Statistics	Bilanzstatistik
BRRD	Banking Recovery and Resolution Directive	Richtlinie zur Sanierung und Abwicklung von Kreditinstituten
CRD	Capital Requirements Directive	Eigenkapitalrichtlinie
CRR	Capital Requirements Regulation	Eigenkapitalverordnung
CSR	Corporate Social Responsibility	Soziale Unternehmensführung
EBA	European Banking Authority	Europäische Bankenaufsichtsbehörde
EinSiG	Deposit Insurance Act	Einlagensicherungsgesetz
eKRM	Efficient Credit Risk Management	Effizientes Kreditrisikomanagement
ESG	Environmental, Social, Governance	Umwelt, Gesellschaft, Unternehmensführung
ETF	Exchange-Traded Funds	Börsengehandelte Fonds
FinaRisikoV	Financial and Risk-Bearing Capacity Information Regulation	Finanz- und Risikotragfähigkeitsinformations-verordnung
FSB	Financial Stability Board	Finanzstabilitätsrat
G-SIBs	Global Systemically Important Banks	Global systemrelevante Banken
P&L	Profit and Loss Account	Gewinn-und-Verlust-Rechnung
HGB	German Commercial Code	Handelsgesetzbuch
ICAPP	Internal Capital Adequacy Assessment Process	Verfahren zur Beurteilung der Angemessenheit des internen Kapitals
ILAPP	Internal Liquidity Adequacy Assessment Process	Verfahren zur Beurteilung der Angemessenheit der internen Liquidität
IRBA	Internal Rating-Based Approach	Auf internen Ratings basierender Ansatz
IMF/IWF	International Monetary Fund	Internationaler Währungsfonds
KSA	Credit Risk Standard Approach	Kreditrisiko-Standardansatz
KWG	Banking Act	Kreditwesengesetz
LCR	Liquidity Coverage Ratio	Liquiditätsdeckungskennziffer
LiqV	Liquidity Regulation	Liquiditätsverordnung
MaRisk	Minimum Requirements for Risk Management	Mindestanforderungen an das Risikomanagement
MFI	Monetary Financial Institutions	Monetäre Finanzinstitute
OECD	Organisation for Economic Cooperation and Development	Organisation für wirtschaftliche Zusammenarbeit und Entwicklung
OpRisk	Operational Risk	Operationelles Risiko
PSD 2	Payment Services Directive 2	Zweite Zahlungsdiensterichtlinie
SREP	Supervisory Review and Evaluation Process	Aufsichtsrechtlicher Überprüfungs- und Bewertungsprozess
SRM	Single Resolution Mechanism	Einheitlicher Abwicklungsmechanismus
SSBB	Small and Simple Banking Box	Small and Simple Banking Box
TLAC	Total Loss Absorbing Capacity	Verlustabsorptionsfähigkeit
TLTRO	Targeted Longer-Term Refinancing Operations	Gezielte längerfristige Refinanzierungsoperationen
VaR	Value-at-Risk	Potenzieller Risikobeitrag

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